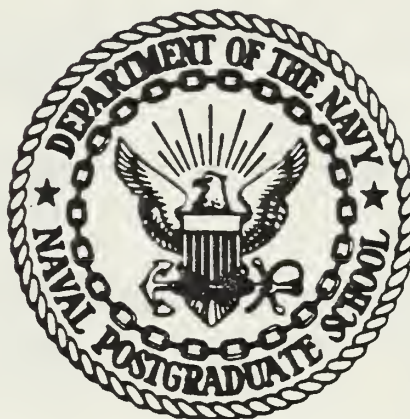


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THESIS

A STUDY OF BUDGET FORMULATION IN THE
FLEET MARINE FORCE

by

William D. Johnson

September 1980

Thesis Advisor:

R.A. Bobulinski

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A Study of Budget Formulation in the
Fleet Marine Force

by

William D. Johnson
Captain, United States Marine Corps
B.S., University of Washington, 1974

Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL
September 1980

ABSTRACT

A budget is a plan of action stated in monetary terms. It identifies how, why, and with what one will accomplish a mission. This thesis studies the budget formulation process in the Fleet Marine Force (FMF). Specifically, this thesis studies the process in Continental United States and Hawaii based FMF units at the division, wing, and force service support group level. The budget formulation process for these units is examined in view of Navy/Marine Corps budget directives and "preferred" budget practices for public organizations as discussed in published professional literature. The results of this study indicate that FMF budget organizations adhere to the majority of established budget practices. This study does, however, indicate several areas where improvement could be made such as developing more effective budget training programs, being more cognizant of the impact that timing has on budget quality, and reducing the personnel turnover problem caused by frequent rotation of budget personnel in FMF organizations. Further, this study proposes recommendations concerning the improvement of the budget formulation process in these and other areas.

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I. INTRODUCTION

A. GENERAL

The word budget means many things to many people but most often its connotation is unpleasant. So often, budgets are referred to as the reason why things cannot be done. An often used expression is "The budget won't allow it."¹ A budget is a plan expressed in monetary terms. There are several types of budgets, including the capital budget which lists and describes planned capital acquisitions, the cash budget, which summarizes planned cash receipts and disbursements, and the operating budget which describes planned operating activities for a specified period of time. The discussion in this study relates primarily to the operating budget. For convenience, a glossary of terms is provided as Appendix A for terms possibly unfamiliar to the reader.

What is a Marine Corps operating budget? How does it relate to the Marine Commander? In the Marine Corps, a budget is a plan of action translated into dollars, just as it is in the private sector and other public organizations. It identifies how, why and with what one will accomplish a mission. It is the vehicle for obtaining the wherewithal. A command's operating budget contains estimates of the total value of all resources required for the performance of the mission of an activity. An operating budget is designed to provide a plan

¹Department of the Navy, Headquarters United States Marine Corps, Financial Guidebook for Commanders NAVMC 2664, 30 June 1976, p. 11.

against which performance can be measured, variances analyzed and adjustments made as necessary to permit more effective management of resources at all levels of command. It is important to understand that the term "operating budget" connotes more than mere fund authorization. It also includes planning and management. Management is primarily accomplished by measuring performance against a commander's financial plan. To paraphrase Napoleon, "Today's Army marches on its budget!"²

B. BRIEF HISTORY OF BUDGETING IN THE MARINE CORPS

Although the operating budget is an annual plan, it must contribute to the attainment of objectives and missions extending into the future. It is not an entity unto itself, it has roots in the past and must bear a direct relationship to the future.³ In view of this relationship, the Department of Defense (DoD) has incorporated two major budget approaches in the last decade, both of which are applicable today.

In the spring of 1961, DoD initiated a programming system for use in developing the fiscal year (FY) 1963 budget. This programming system became known as the Planning-Programming-Budgeting System (PPBS) and under the leadership of President Johnson, was instituted throughout all executive agencies in the federal government.⁴ The major innovations of the programming system did not involve alterations of the budgetary

²Ibid.

³Ibid., p. 13.

⁴Robert W. Downey, "Zero-Base Budget-Recent Guidance from the Office of Management and Budget," Financial Management Newsletter, V. II, No. 2, May 1977, p. 8.

process, but instead were extensions of the budget discipline into the planning process. In effect, planning and programming were superimposed on the budget. They govern its substance, but not its form. The programming system, by relating cost inputs to force outputs and by extending fully costed programs five years into the future, provides information for making decisions which are eventually reflected in the budget.⁵ Program budgeting then differs from the traditional line item budgeting done by DoD agencies prior to 1961 in that the program budget is initially cast in terms of programs or DoD goals and policies, and then later is converted into appropriation structure before it is reviewed by the Congressional Appropriations Committees. The line item approach casts the budget originally in terms of input with no clear relationship to output. Program budgeting requires that the Marine Corps shape its budget request in the context of DoD's long range goals and objectives, thus emphasizing program output rather than appropriation or dollar input. PPBS has since disappeared in all federal agencies except DoD and will be discussed in detail as it applies to the Marine Corps in Chapter II.

In the summer of 1976, Zero-Base Budgeting (ZBB) was a notion gaining currency in Washington D.C.⁶ It was not completely new and had been employed in at least one state and in

⁵Department of the Navy, Headquarters United States Marine Corps, Financial Guidebook for Commanders NAVMC 2664, 30 June 1976, p. 12.

⁶Robert W. Downey and Joel E. Smith, "Zero-Base Budgeting for FY78," Financial Management Newsletter, VIII No. 1, April 1978, p. 14.

the private sector, most notably Governor Jimmy Carter's State of Georgia and Texas Instruments. In the State of Georgia, where financial controls were archaic and in desperate need of revision, ZBB served to uncover obsolete and unnecessary functions and operations thereby improving on Georgia's budgetary system.⁷

Not ironically, on February 14, 1977, President Jimmy Carter announced that ZBB would be the budget process for the Executive Branch of the Federal Government. This process was further defined by the Office of Management and Budget (OMB) and by the Secretary of Defense (SECDEF). On April 19, 1977, OMB issued OMB Bulletin No. 77-9 entitled "Zero-Base Budgeting". The bulletin provided broad guidance concerning the use of a ZBB system in the preparation and justification of the FY79 budget. The OMB Bulletin and the implementation of ZBB within DoD was the subject of an April 23, 1977 letter from Defense Secretary Harold Brown to all DoD components. An important theme of the DoD letter was the intention to use current DoD program budgeting to the maximum extent in the ZBB implementation. Secretary Brown stressed that ZBB was to be compatible and used in conjunction with the ongoing PPBS. He stated that with modifications, PPBS was to be called upon for basic data to assure effective implementation of the ZBB system.⁸ The

⁷Colonel J.A. Johnson, Assistant Chief of Staff, Comptroller, Fleet Marine Force, U.S. Pacific Fleet, Introduction paper presented on 13 September 1977, p. 1.

⁸Robert W. Downey, "Zero-Base Budget-recent Guidance from the Office of Management and Budget, Financial Management Newsletter, V. II, No. 2, May 1977, p. 8.

objectives, mechanics and guidance for the use of ZBB in the Marine Corps will receive detailed consideration in Chapter II.

The history of Marine Corps budgeting has thus passed from the traditional line item approach to program budgeting and yet on to a modified zero-base concept still compatible with program budgeting.

C. BUDGETING PHILOSOPHY IN THE MARINE CORPS

An often used phrase that summarizes Marine Corps financial management philosophy and thus budgeting philosophy is "financial management is inherent in command."⁹ The Marine Corps has founded its philosophy of financial management upon the principle that financial management is inseparable from command. This is an extension of the basic military rule which states that a commander is responsible for everything and everybody in an organization.

Since the Commander's budget is a plan for action stated in monetary terms, one must recognize the power and necessity for firm dollar controls. One must also keep financial management and budgeting in proper perspective as part of a balanced staff action.¹⁰

Formulation of operating budgets is the responsibility of Marine Commanders. Their budget estimates are based upon intimate knowledge of their command, their mission, their operations and the annual field budget guidance published by

⁹ Department of the Navy, Headquarters United States Marine Corps, Financial Guidebook for Commanders NAVMC 2664, 30 June 1976, p. 1.

¹⁰ Ibid.

the Commandant of the Marine Corps (CMC). The Marine Corps Operating Budget is thus formed largely using the "bottom up" approach.¹¹ Marine Commanders participate in formulating their budgets and ultimately they are required to live with them.

D. OBJECTIVES AND SCOPE

If an organization's budget is their plan of action stated in monetary terms, then it follows that the budget is indeed an important document and budget formulation a critical process. The purpose of this research study, therefore, is to examine, evaluate, and draw supportable conclusions on the budget formulation policy application process of Fleet Marine Force (FMF) Units. In addition, recommendations for budget formulation improvement will be made.

The scope of this study includes the budget formulation process in the FMF, specifically, FMF Units based in the Continental United States (CONUS) and in Hawaii. FMF Units based in the western pacific, all posts and stations (Marine bases), and the Marine Corps Reserve are excluded from consideration in this study because of resource constraints on the author. The budget formulation process addressed by this thesis will include guidance issued by the Commandant of the Marine Corps and by subordinate commanders for formulation of the budget. In addition to budget guidance promulgated by FMF Commanders, organization for budgeting and the training of budget personnel in the FMF will be discussed. Further, this

¹¹Ibid., p. 11.

study will review the detailed budget formulation and submission process at the lowest echelons and subsequent review, consolidation, and submission of the budget through all levels of the FMF financial chain-of-command.

This thesis will not address budget planning and programming that occurs prior to the annual CMC budget guidance issued to field commanders nor will it address the budget formulation process at the Headquarters Marine Corps (HQMC) or higher levels also because of resource constraints on the author.

E. METHODOLOGY

In this study, Navy and Marine Corps budget formulation directives applicable to Marine Corps FMF units were reviewed. In addition, other professional literature on the subject discussing general private and public sector budget formulation "preferred practices" were reviewed.

The first part of this study discusses the budget formulation process as detailed by Navy and Marine Corps publications and directives, information provided by personnel working in the Marine Corps budget formulation field, and general published academic guidance applying to budget formulation in public/non-profit organizations.

The second part of this thesis then evaluates FMF field commands at the division, wing, and force service support group (FSSG) (terms explained in Chapter II) level in CONUS and Hawaii for conformance to the budget formulation procedures presented in the first part of the study. The mechanism for

evaluation is a survey questionnaire shown in Appendix B. Budget officers of FMF commands on the west coast were interviewed personally with reference to the questionnaire while budget officers on the east coast and the budget officer of the First Marine Brigade in Hawaii were questioned by telephone. In addition, published budget guidance from all commands included in the survey was obtained and analyzed. Conclusions are then provided as a point of reference to improve future policy implementation.

F. THESIS ORGANIZATION

Chapter II presents the Marine Corps approach to budget formulation. It is explained in detail by discussing the information contained in Navy and Marine Corps budget directives. Information published in other sources that deal with preferred budget practices for public organizations are also discussed.

Chapter III represents the analysis part of this project. The budget formulation survey shown in Appendix B is the basis for this chapter. The sources for the questionnaire as well as the questions themselves will be explained. Additionally, the survey scope, organizations surveyed, and the survey results will be analyzed in view of material presented in Chapter II.

Chapter IV draws supportable conclusions from the questionnaire results discussed in Chapter III and makes recommendations for budget formulation improvement in the FMF.

II. BUDGET GUIDANCE, FORMULATION AND SUBMISSION IN THE FLEET MARINE FORCE (FMF)

A. INTRODUCTION

This chapter discusses the Marine Corps approach to budget formulation in the FMF and is designed to provide the background information necessary for the reader's understanding of the material to be presented in Chapter III, entitled Survey of Planning Estimate and Operating Target Holders in the Fleet Marine Force. Terms presented in this chapter that are possibly unfamiliar to the reader may be found in the Glossary attached as Appendix A.

B. SOURCE OF FUNDS

In the traditional budget format there are five direct Marine Corps appropriations. Of these five direct appropriations, FMF Commanders are really only responsible for one appropriation, the one used to finance day-to-day operating expenses.¹² However, before embarking on a discussion of budget formulation in the FMF in reference to day-to-day operating expenses and for reader familiarity, it is necessary to present a brief explanation of all appropriations applicable to FMF Units.

1. Military Personnel, Marine Corps (MPMC)

This appropriation affects all active duty Marines where it helps the most, which is the pocketbook.¹³ It provides

¹²Lieutenant Colonel Walter H. Skierkowski, "How A FMF Commander Manages Money," Marine Corps Gazette, V. 63, No. 9, September 1979, p. 56.

¹³Department of the Navy, Headquarters United States Marine Corps, Financial Guidebook for Commanders NAVMC 2664, 30 June 1976, p. 7.

for their pay, allowances, clothing, subsistence, and permanent change of station movements. With regard to the FMF, this appropriation is managed and administered centrally at Headquarters Marine Corps (HQMC) and merits no further discussion in this study.

2. Procurement, Marine Corps (PMC)

This appropriation gives the Marine Corps the means to accomplish its mission.¹⁴ It finances the purchase of major items of equipment and ammunition. Items financed by this appropriation are those that cost in excess of \$3,000. In general, \$3,000 is the limit whereby an item no longer is classified as an expense item and therefore becomes an investment to be funded via a procurement appropriation. Trucks, radios, and tanks are examples of items funded by this appropriation. While ammunition is a consumable item, it is also purchased with funds from this appropriation. FMF Commanders determine their requirements and ammunition is issued to them without a charge to their operating budget. An FMF Commander is not responsible for nor does the FMF Commander manage funds provided by this appropriation. Any investment type items that the FMF Commander requires are purchased by a supporting Marine Corps Base. The supporting base manages the PMC appropriation. For example, an FMF Commander of a unit based in Camp Pendleton, California would pass PMC requirements to Marine Corps Base, Camp Pendleton.¹⁵ The Marine Corps Base would then budget for

¹⁴Ibid., p. 8.

¹⁵Captain M.J. Kramer, Third Marine Air Wing Budget Officer, conversation on 25 June 1980.

the FMF Unit PMC requirements as well as base PMC requirements. It should be noted, however, that PMC funds are not budgeted in the same manner as are operating budget funds. PMC funds are managed for the most part centrally at HQMC and are granted to subordinate commanders by allotment. A discussion of PMC allotments is beyond the scope of this study, however, allotments are briefly defined and explained in Appendix I. It is important to understand that the FMF Commander determines the PMC investment requirements and then communicates these requirements to a supporting Marine Corps Base. In addition, the Marine Corps publishes an annual Field Budget Guidance Bulletin in the 7100 Bulletin series that lists new equipment to be introduced into Marine FMF Units two years into the future. Much of the new equipment is PMC purchased. The purpose of the new equipment guidance is to inform the commander of new equipment that will be received so that a budget for its operation and maintenance via the operations and maintenance appropriation which is discussed in Section B.3 of this chapter can be prepared. The PMC appropriation is a "multi-year" appropriation meaning that the money does not necessarily need to be obligated in the same year as it is received. In fact, three years are allowed before unobligated money returns to the treasury.

3. Operations and Maintenance, Marine Corps (O&M,MC)

This appropriation is the "bread and butter" appropriation for most Marine Corps activities.¹⁶ It provides the funds

¹⁶Department of the Navy, Headquarters United States Marine Corps, Financial Guidebook for Commanders NAVMC 2664, 30 June 1976, p. 7.

to finance the cost of operation and maintenance of the Marine Corps. Funds from this appropriation are included in an FMF Commander's operating budget and are used to purchase all material of an operations and maintenance nature that have a unit cost of less than \$3,000. Several examples for the use of O&M,MC funds are the purchase of routine supplies, repair parts, fuel, and organizational equipment. Temporary additional duty, per diem, and travel are also financed from O&M,MC funds. The important point being that this appropriation is managed by the FMF Commander. FMF Commanders down to battalion and squadron levels are required to budget for O&M,MC funds and are directly responsible for the management of these funds. The O&M,MC appropriation is an annual one meaning that the FMF Commander must obligate money during the same year that it is received. More will be said of O&M,MC funding throughout the remainder of this study.

In addition to direct Marine Corps appropriations, there are two other Navy appropriations that are of concern to the FMF Commander of an aviation unit.

4. Other Procurement, Navy (OPN)

The OPN appropriation finances procurement, production, and modernization of equipment peculiar to Marine Aviation meeting the expense or investment criteria of \$3,000 explained earlier.¹⁷ Much of the Marine Aviation support equipment used

¹⁷Department of the Navy, Office of the Comptroller, Navy Comptroller Manual NAVSO P-1000, Volumn 7, p. 4-118.

throughout the FMF is purchased via this appropriation. FMF Aviation Commanders are not directly responsible for nor do they manage OPN funds. As in the case of the PMC appropriation, the Marine Corps Base that supports the FMF Aviation Unit assumes the responsibility for OPN budgeting. The FMF Aviation Commander has limited input into the OPN budgetary process.¹⁸ As in the PMC appropriation, OPN money is "multi-year" appropriation and as such it may be obligated within three years.

5. Operations and Maintenance, Navy (O&M,N)

Most of the monetary support that an FMF Aviation Commander receives of an operations and maintenance nature, meeting the less than \$3,000 expense criteria, is provided via this appropriation. In the 3rd Marine Air Wing, located in California, approximately 88 percent of the funding received by an O&M appropriation is O&M,N funding. The remaining 12 percent is O&M,MC money.¹⁹ O&M,N funds are used to finance fuel for flight operations, the maintenance of aircraft, the purchase of equipment included in the aviation consolidated allowance list, air photographic support, UNIVAC 1500 air wing computer support, the purchase of aviation general and special ground support equipment, and the temporary additional duty of aviation personnel.²⁰ Fuel purchases are the largest expense

¹⁸ Chief Warrant Officer-4 J.R. Waterbury, 3rd Marine Air Wing Budget Officer, conversation on 24 June 1980.

¹⁹ Ibid.

²⁰ Fleet Marine Force Pacific Order P7000.3C, "Standing Operating Procedures for Financial Management," 16 December 1977, pp. 4-1 through 8-1.

funded by the O&M,N appropriation.²¹ O&M,N funds like O&M,MC funds, are managed and budgeted by the FMF Commander. The O&M,N appropriation is annual funding and the FMF Commander must obligate O&M,N funds in the year they are received.

The remainder of this chapter will discuss the O&M,MC and O&M,N appropriations as applied in FMF Units. These two appropriations receive the most attention from FMF Commanders as FMF Commanders are directly responsible for the budgeting and management of O&M funds.

As there are differences in the way these two appropriations are applied, managed, and budgeted in the FMF, this chapter will discuss O&M,MC and O&M,N funds separately. To avoid redundancy, O&M,N funding will be discussed in terms of its differences from the O&M,MC appropriation.

C. OPERATIONS AND MAINTENANCE, MARINE CORPS

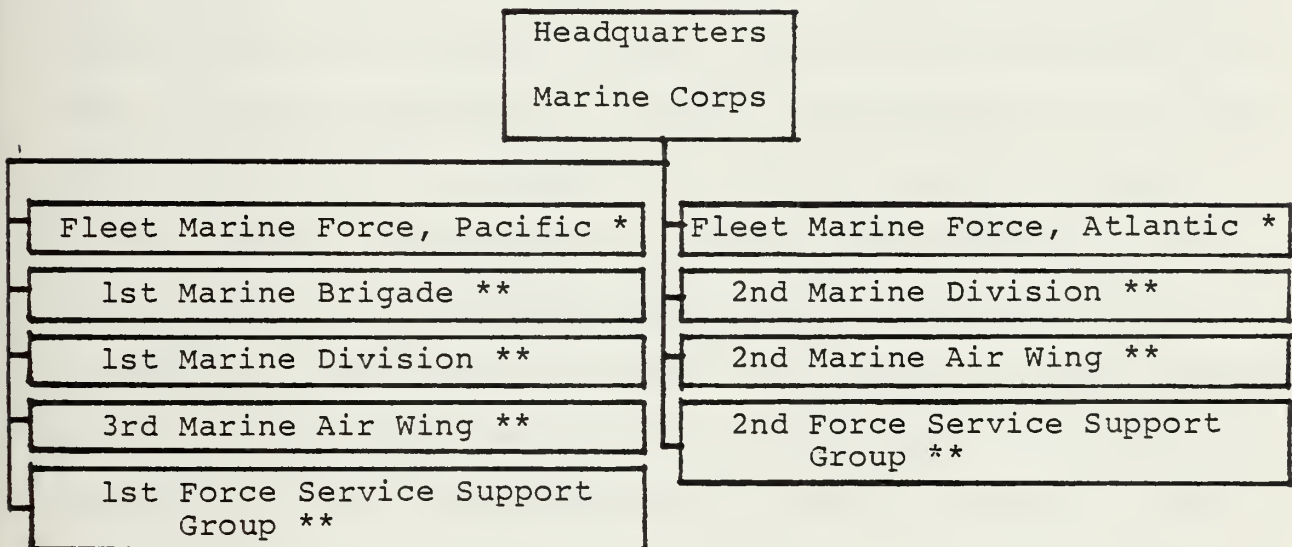
1. Organization for Funds Flow and Budget Submission in the FMF

Exhibit I outlines the organization for the flow of O&M,MC funds in the FMF. Note that the Commanders of the Fleet Marine Force, Pacific (FMFPAC) and the Fleet Marine Force, Atlantic (FMFLANT) receive O&M,MC funds via an operating budget (OPBUD) from the Commandant of the Marine Corps (CMC). As OPBUD holders, they retain legal responsibility for the application of OPBUD funds. This responsibility not to overcommit, overobligate, or overexpend appropriated funds is placed on

²¹Chief Warrant Officer-4 J.R. Waterbury, 3rd Marine Air Wing Budget Officer, conversation on 24 June 1980.

Exhibit I

Organization for Funds Flow and Budget Submission in
CONUS and Hawaii Based FMF, Operations and Maintenance,
Marine Corps Appropriation



* Operating budget holder
** Planning estimate holders

the FMFPAC and FMFLANT Commanders by Section 3679 Revised Statutes (R.S.) of the U.S. Code. A violator of Section 3679 R.S. can be federally prosecuted and can require that the person who caused the violation be subjected to discipline which may include suspension without pay or removal from office. If action is done knowingly and willfully, that person may be subject to criminal penalties of a fine up to \$5,000 or imprisonment for not more than two years, or both.²² The Commanders of FMFPAC and FMFLANT may delegate their authority for execution of OPBUD funds to subordinate commanders by means of planning estimates but they cannot delegate their legal responsibility. The subordinate commanders of FMFPAC and FMFLANT receive their funds via a planning estimate (PE) and as planning estimate holders (PEH's) are required to conduct operations so as to remain within their assigned administrative targets. The PE is merely an administrative target and implies no legal responsibility regarding the application of OPBUD funds. As PEH's the commanders of the subordinate units listed in Exhibit I have the following budgetary responsibilities:

a. To determine their operational requirements, based on guidance received from FMFPAC or FMFLANT and on experience data accumulated over prior years;

b. To submit these requirements in the budgetary format and in such detail as is prescribed by the appropriate OPBUD holder;

²² Department of the Navy, Office of the Comptroller, Financial Guidebook for Commanding Officers NAVSO P-3582, p. 3.

c. To conduct operations so as to remain within the OPBUD holder's administrative distribution of funds; and

d. To maintain financial memorandum records as may be required to ensure that funds made available are not exceeded.²³

In the FMF, there are established comptroller functions at both the OPBUD holder and PEH levels. The budgeting function is coordinated within the comptroller organization but separate from the accounting function. The budget organizations are manned in accordance with applicable tables of organization²⁴ and the budgeting functions at both the OPBUD and PE levels are directed by a budget officer. Further, each significant position in the budget organization is defined in writing as to the functions, responsibility and authority of the position.²⁵

2. Training of Budget Personnel in the FMF

Because of frequent turnover of budget personnel in FMF organizations and the fact that there are no civilian positions to maintain continuity in any of the FMF organizations, there is an acute need for the budget officer to conduct an adequate and ongoing training program for budget personnel. The program need not be of a formal classroom nature, however, more than on-the-job training is required if budget personnel are to be adequately trained and knowledgeable in Marine Corp's budget formulation requirements and procedures.²⁶

²³Department of the Navy, Headquarters United States Marine Corps, Financial Guidebook for Commanders NAVMC 2664, 30 June 1976, p. 3.

²⁴Marine Corps Order P5310.6, "Manpower Control and Utilization Manual," 1 February 1972, p. 2-2.

²⁵Lawrence B. Sawyer, The Practice of Modern Internal Auditing, (The Institute of Internal Auditors, Inc., 1973), p. 5.

²⁶Robert N. Anthony and Regina E. Herzlinger, Management Control in Nonprofit Organizations, (Irwin, 1975), p. 329.

3. Budget Guidance and Formulation Cycle

Exhibit II depicts the budget guidance and formulation cycle for funds flow in the Marine Corps to include, naturally, the FMF. Note that this study only covers a very small portion of the entire budget formulation cycle, the portion of the arrowed line below the HQMC level. It is important to note that although the formal budget cycle is approximately 21 months long, the time allotted for budget formulation in the FMF is short. Budget formulation in the FMF includes guidance flowing from HQMC down through the OPBUD and PEH levels and includes the development of budget estimates starting at the lowest levels and ascending through the PEH and OPBUD levels. A premium is placed on time and the FMF Commander must ensure that the budget formulation in the unit is an ongoing process and that the time spent on budget formulation is productive.

4. Budget Guidance in the FMF

Before addressing the specific budget guidance that is promulgated annually by HQMC and subordinate commanders, the Planning, Programming, and Budgeting System (PPBS) and the Zero-Base Budget (ZBB) approaches as they are applied in the FMF will be discussed. As depicted in Exhibit II, the funds approved for use during a fiscal year are the end result of a long chain of sequential, integrated, and often complex events. The process introduced earlier as PPBS is how resource requirements are determined, documented and costed in the Department of Defense (DoD).

a. PPBS

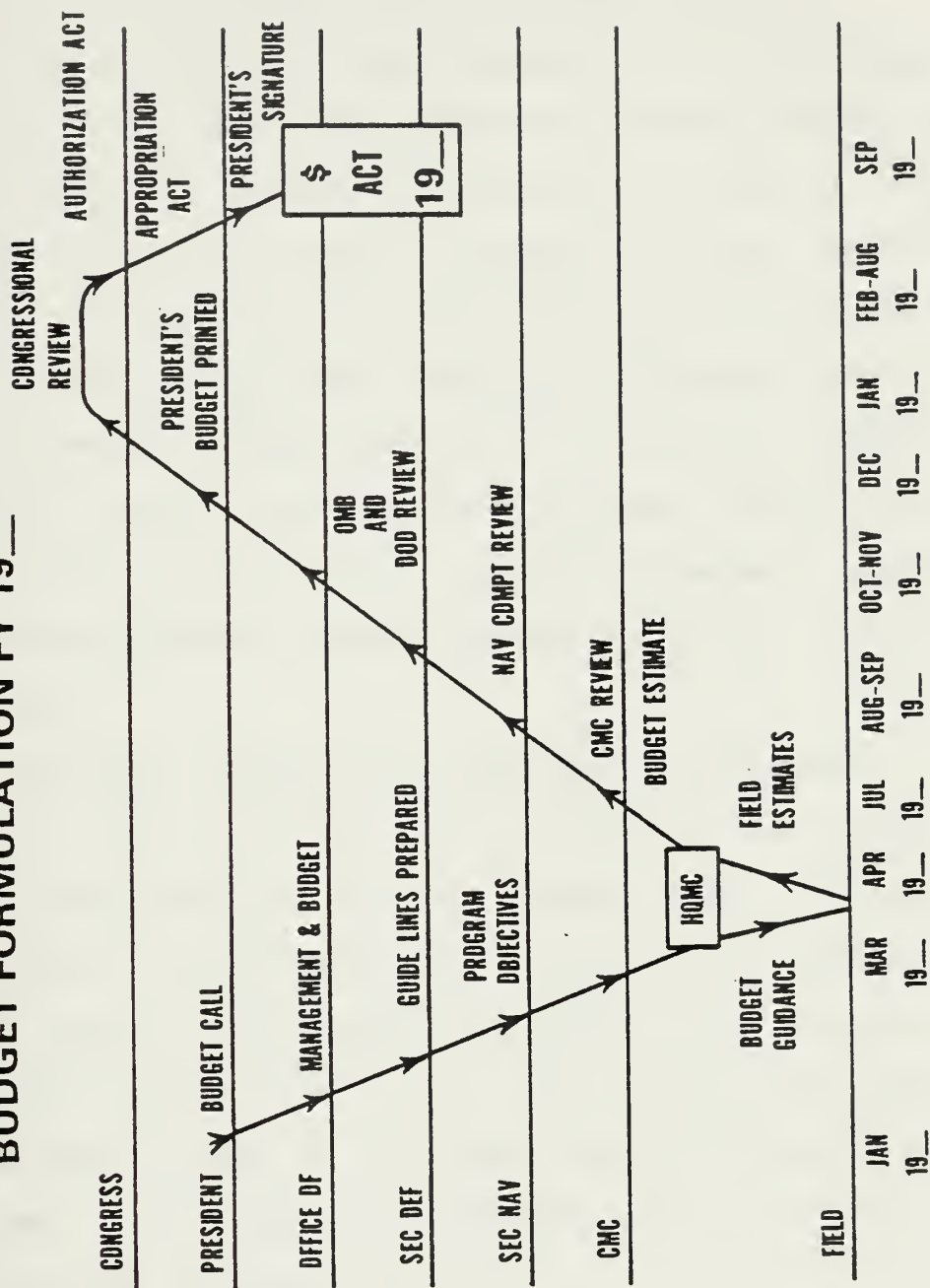
In the FMF, the focus of PPBS is on operating expenses; that is, resources consumed by a unit in carrying out its mission within the Five Year Defense Plan (FYDP).²⁷ Stated briefly, the FYDP is a summation of all approved programs of all DoD components, in which resources or inputs in terms of the appropriations discussed earlier, phased over a five-year period, are combined with military outputs or programs phased over the same period. The FYDP is expressed in terms of programs, program elements, and resource categories all of which will be discussed in the material that follows.

There are ten major programs built into the FYDP. Within the FYDP, the term program applies to a combination of program elements designed to express the accomplishment of a definite objective or plan which is specified as to the time-phasing of what is to be done and the means proposed for its accomplishment. Programs are aggregations of program elements and in turn aggregate to the FYDP.

Of the ten major programs, only Program Two, General Purpose Forces, is of direct concern when studying budget formulation in the FMF. Program Two further breaks into numerous program elements which identify the smallest item of military output controlled at the DoD level. Program elements define who is consuming the resources. In all, there are approximately 1,700 program elements in DoD. There are 22 program

²⁷Department of the Navy, Headquarters United States Marine Corps, Financial Guidebook for Commanders NAVMC 2664, 30 June 1976, p. 3.

BUDGET FORMULATION FY 19__



Budget Guidance and Formulation Cycle

Exhibit II

elements in the FMF, all part of Program Two. Examples of program elements in the FMF are an F-4 Squadron, a Marine Division, and a Marine Force Service Support Group.²⁸

In addition to program elements, the ten programs of the FYDP are subdivided into thirteen functional categories and eighteen expense elements.²⁹ A functional category identifies the type of activity within a program for which expenses are incurred, specifically, why the resources are being consumed. In the FMF, there are only two functional categories; mission forces and automatic data processing.³⁰ An expense element identifies the nature of the resource consumed, specifically, the input or what kind of resource is being consumed. Examples are equipment maintenance, transportation of things, supplies, travel and fuel.

Further, accounts are established to classify transactions by cost according to the purpose of the transaction. Cost account codes are used for this purpose. The two functional categories used in the FMF subdivide into 112 cost accounts.³¹ For example, medical requirements in the FMF are classified under cost account code 0044.³² All cost account codes applicable to FMF units may be found in the Marine Corps Field Budget Guidance Manual or in Volume Two, Chapter four of The Navy Comptroller Manual (NAVCOMPT Vol. 2).

²⁸ Marine Corps Order P7100.8G, "Field Budget Guidance Manual," 10 March 1980, pp. 6-14 through 6-17.

²⁹ Department of the Navy, Headquarters United States Marine Corps, Financial Guidebook for Commanders NAVMC 2664, 30 June 1976, p.4.

³⁰ United States Marine Corps Order P7100.8G, "Field Budget Guidance Manual," 10 March 1980, p. 6-7.

³¹ Ibid.

³² Ibid.

b. ZBB

ZBB has been instituted as the budget process for the Marine Corps. The techniques inherent to ZBB have been refined for applicability to the unique requirements of field activities. The ZBB approach discussed in this chapter is the approach to be utilized by FMF Commanders.

A specific feature of ZBB is the "bottom up" approach it applies to budgeting, starting with identification of the basic budget management level. The basic budget management level in the FMF is the division, wing, Force Service Support Group (FSSG), and brigade.³³ For the ZBB process to be meaningful, it should be invoked at the basic budget management level. The key feature of ZBB is the increased involvement of staff sections and subordinate commanders in the budgeting effort in addition to the efforts of assigned fiscal personnel. The end product or budget is goal oriented and reflects a well coordinated and costed financial plan for each applicable fiscal year that supports the commander's operational plan. ZBB requires that fund administrators at the lowest financial levels, which are cost centers in the FMF, start each fiscal year from a hypothetical zero funding base.

Further, the ZBB process requires that all the financial resource requirements at each budget management level be analyzed and justified and not just incremental changes or increases from the previous year. The ZBB analysis should

³³Ibid., p. 6-3.

address not only the resources required but also program objectives, alternative courses of action, measures to monitor achievement of goals and impacts if funding is reduced or not provided.³⁴

A discussion of ZBB necessarily includes the explanation of terms unique to the ZBB process. The next several paragraphs define and discuss these terms.

The budget year (BY) is the forthcoming fiscal year for which the budget is prepared within the constraints of a financial ceiling assigned by higher authority. The budget year equates to the apportionment year used in the Navy funding process. The budget year plus 1 (BY+1) is the first year beyond the forthcoming BY and is the year in which the unit prepares a ZBB at the minimum and at incremental funding levels. The BY+1 data provides the base for formulation of the appropriation budget estimates at HQMC.

A budget management level is an organization which aggregates the decision packages into "decision package sets" for each decision unit. This activity or organization also prioritizes each decision package. In the FMF, the basic budget management level is the division, wing, FSSG and brigade. These units are the PEH's shown in Exhibit I.

A decision unit is the basic building block for ZBB. Decision units relate to broad functional areas within a command. In the Marine Corps, decision units are groupings

³⁴Marine Corps Order P7300.10B, "Mechanized Financial Procedures for Selected Marine Corps Posts and Stations," 22 May 1979, p. 5-4.

of related cost account codes. The decision unit is a program that is important to the daily operation of a command and the commander will decide on the level of activity planned for a decision unit when applying funds in the budget to support it.³⁵ The ZBB decision units used in the FMF budget formulation process are shown in Exhibit III. Decision unit overviews apply to both the BY and the BY+1 and are completed for each decision unit. They provide commanders and analysts with a concise summary of the purpose and content of each decision unit. They state the long range goals and major objectives of an FMF command and also address general alternatives and accomplishments. The decision unit overview format is shown in Exhibit IV.

Decision packages are justification documents that are prepared for each fiscal level within a decision unit and cumulatively represent the total budget request for the decision unit. Each decision package represents the funding requirement necessary to support a particular level of activity and includes the information necessary for managers to make prioritization decisions. A decision package is prepared for the minimum and each increment of a decision unit. A decision package set is the aggregation of all decision packages for a decision unit and represents the total budget request for the decision unit.

The minimum level is a fiscal level below the current level of operation which identifies minimum effort. At

³⁵ Lieutenant Colonel Walter H. Skierkowski, "How a FMF commander Manages Money," Marine Corps Gazette, Vol. 63 No. 9, September 1979, p. 58.

this level, the effort conducted constitutes the bare accomplishment of assigned missions. although a dollar control may or may not be assigned to this minimum level, the minimum level for the BY+1 should always be below the established financial ceiling for the BY. Controlled minimum levels represent a Marine Corps modification to the ZBB process as originally proposed by its founder. In a pure ZBB system, dollar controls are not assigned to the minimum or any of the incremental levels. Incremental levels are the fiscal levels above the minimum level which are used to identify financial resources added to a decision unit to increase the level of operation and activity above minimum requirements. Incremental levels are numbered sequentially, beginning with incremental level one which denotes the first level above the minimum. For budget formulation purposes, incremental levels one and two will bring the decision unit up to the current level of activity. Incremental levels three through five may be used to introduce new initiatives and requirements for the decision unit. An automated budget system has been developed to support the ZBB process which allows a unit to submit only five incremental levels.

Upon completion of decision packages for each fiscal level, a priority ranking is required. This process referred to as the prioritization process involves the recommended ranking assigned to each decision package by a budget review committee for final approval by the FMF Commander.

Exhibit III

ZBB DECISION UNIT DEFINITIONS

1. Maintenance of Equipment. This unit includes costs incurred on the maintenance and repair of authorized equipment, to include fifth echelon repair when applicable. Typical expenses incident to this decision unit include material, repair parts, direct civilian labor, commercial contracts, cross-service charges and travel costs directly associated with organizational maintenance.

2. Operations/Administration. This unit includes all costs for administrative office supplies, magazines, newspapers and periodicals; alterations to uniform clothing; and consumable and expendable supplies in support of operations and planning including POL, communications wire and batteries. This unit includes TAD for inspections and the planning of training operations as well as all costs for routine TAD. Also included is Emergency Leave travel for military personnel via Military Airlift Command. If required Routine TAD and Emergency Leave may be shown as a separate local decision unit for local management purposes. Other costs identified to this decision unit include Printing and Reproduction, Welfare and Recreation Supplies and Cognizance Symbol I Blank Forms.

3. Training. This unit includes all costs that can be related to unit training and training operations such as POL, TAD for training, communications wire and batteries, replenishment of Class IV training allowances expended in training and consumable and expendable supplies required for training which are not provided in unit allowances. Other costs identified to this decision unit include schools training and Marksmanship Program.

4. Medical and Dental Requirements. This decision unit includes all costs for medical and dental supplies and equipment. These costs include expenses for medical services provided to the Operating Forces by the regional medical center.

5. Automatic Data Processing. This decision unit incorporates operation and maintenance costs inherent to ADP operations to include material, contractual services, civilian labor and TAD. The unique ADP cost account codes are described in the current edition of MCO 7310.46.

6. Initial Purchase of Equipment. This decision unit includes the cost of the initial purchase of equipment and repair parts authorized for new units and as a result of allowance list changes authorized by the Commandant of the Marine Corps.

7. Deficiencies in Units. Included in this decision unit are the costs of all material other than ASA (SAC 2 and 3) purchased to eliminate deficiencies that exist at the beginning of a fiscal year.

8. Replenishment/Replacement. This decision unit includes all costs for replenishment of communications/electronics, engineer general property, ordnance, motor transport and expendable aviation equipment worn-out in service, lost or destroyed. Also includes costs for replenishment of Class II, type 2 allowances worn-out in service, lost or destroyed.

9. Other Logistic Support. This decision unit includes all costs incident to the hire and leasing of commercial vehicles in support of the operating forces, packaging and preservation of material, off-station rental of real property utilities and services for exercise contingencies and deployment, maintenance of real property and non-allowance list equipment at advanced bases, expeditionary minor new construction at advanced bases and for all costs identified with civil disturbances.

10. Maintenance of Aviation Support Equipment. This decision unit encompasses all costs incident to the maintenance of air support equipment.

11. Civilian Labor. This decision unit identifies all costs of Civilian Labor not otherwise identified.

12. Supply Support. This decision unit identifies all costs for direct procurement of Marine Corps Stock Fund Account Materials, and for materials acquired from interdepartmental, other government and commercial sources. This decision unit refers to the inventory assets of the Marine Corps.

OPERATIONS, MARINE CORPS
ZERO BASE BUDGET REQUEST: FY 19
DECISION UNIT:

DECISION UNIT OVERVIEW ACTIVITY: DATE:
APPN/SH: OPBUD/SUBOPBUD: PEN(S):

LONG-RANGE GOAL: Identify the long-range goal of the decision unit. The goals should be directed toward material needs and serve as the basis for determining the major objectives needed to work toward that goal.

MAJOR OBJECTIVES: Describe the major objectives of the decision unit and the requirement needs these objectives are intended to meet. Major objectives are of a continuing nature or take long periods of time to accomplish and are end-purpose oriented. Major objectives must be measurable and within the ability of the organization to accomplish. They must relate to the stated missions of the unit.

ALTERNATIVES: Describe the feasible alternative methods of accomplishing the major objectives of the decision unit, to include the present method. Identify which of the methods of accomplishment is proposed while providing the rationale for disqualifying the others.

ACCOMPLISHMENTS: Using quantitative and qualitative data, describe the progress of the decision unit toward meeting its major objectives.

RESOURCE REQUIREMENTS: (\$000)

Expense Element	FY 19xx	Min Lv FY 19xx	Inc Lv 1 FY 19xx	Inc Lv 2 FY 19xx	Inc Lv 3 FY 19xx	Inc Lv 4 FY 19xx	Inc Lv 5 FY 19xx
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Expense data extracted from NavCompt

TOTAL

Min Lv = Minimum Level
Inc Lv = Incremental Level

In addition, each budget management level reviews its cognizant decision units to determine the best alternative method of execution. Because of the unique structure of any military organization, an appropriate choice for many decision units is to execute the decision unit as it is presently being done. Once the best decision unit alternative has been determined, decision packages for each decision unit are developed.³⁶

The principle objectives of ZBB as detailed by HQMC are to:

- (1) involve FMF Commanders at all levels in the budget process;
- (2) justify all resource requirements for existing activities as well as for new initiatives;
- (3) focus the justification on the evaluation of discrete programs or organizations at each management level;
- (4) establish measurable objectives at all budget management levels;
- (5) assess alternative methods of accomplishing objectives;
- (6) analyze the probable effects of different budget amounts or performance levels on the achievement of objectives; and
- (7) provide a credible rational for reallocating resources, especially from old activities to new activities.³⁷

³⁶Marine Corps Order P7100.8G, "Field Budget Guidance Manual," 10 March 1980, p. 6-4.

³⁷Ibid., p. 6-5.

The ZBB includes both the level of required input and associated output for each decision unit. Further, the basic theme of each decision unit should relate to output, whether that output is measured in services, operations, training accomplished, or in readiness to perform assigned missions.³⁸ FMF Forces are to emphasize the correlation between the level of activity and readiness. This correlation will be discussed later in this chapter.

c. Budget Guidance Issued to Subordinate Commands
by HQMC

As formulation of the ZBB largely follows a "bottom up" approach, the guidance required for this formulation process is "top down" in nature. As stated in the introductory chapter, a FMF Commander's budget is based upon an intimate knowledge of one's command, one's mission, one's operations and the budget guidance promulgated by CMC and other superiors in one's financial chain-of-command. For the purposes of this study, the highest level of guidance considered is that issued by CMC. CMC publishes annual field budget guidance in the form of two budget bulletins (MCBUL 7100) that provide guidance for both the BY and the BY+1. This guidance, when coupled with the more general guidance provided by the Field Budget Guidance Manual, forms an integral basis for the development of field budget estimates. Among other things, the Field Budget Guidance Manual promulgates guidance and instructions for the preparation of the O&M,MC budget submission. The information

³⁸Ibid., p. 6-5.

contained in this order is general in nature and pertains from year to year. Further, there is budget formulation information contained in this publication that is applicable both to OPBUD holders and to PEH's in the FMF.

Field budget guidance detailed by the bulletins in the 7100 series is of more immediate concern to the FMF Commander. The first of these bulletins is published usually in December or January and provides information as to new equipment to be introduced into FMF Units during the BY and BY+1. Although much of this new equipment is financed out of PMC funds, the FMF Commander is made aware of equipment to be received so that maintenance can be budgeted. The new equipment guidance contained in the 7100 Bulletin furnishes the commander with an estimated annual cost of support for each item of new equipment to be received. A second 7100 bulletin is published in February or March. This bulletin provides vital budget information to OPBUD holders concerning financial ceilings broken out by program. Amplifying instructions and separate ceilings are provided for automatic data processing. In addition, this bulletin provides information concerning potential conferences and workload indicators. This bulletin also provides inflation guidance for the BY broken into three categories: stock fund material other than fuel, non-stock fund material, and fuel.

d. Budget Guidance Issued to PEH's by OPBUD Holders

In addition to guidance furnished PEH's by HQMC via the Field Budget Guidance Manual, OPBUD Holders also issue budget guidance to their respective PEH's. This guidance is of a more specific nature than that contained in the Field Budget Guidance Manual.

Of primary importance are the budget ceilings provided the PEH's. The OPBUD holder, having received a ceiling from CMC, in turn issues a ceiling to each of the subordinate PEH's. The OPBUD holder can exercise latitude in how subordinate ceilings are assigned and one finds that while FMFLANT breaks PEH overall ceilings into individual decision unit ceilings, FMFPAC does not, leaving the PEH to decide on how to spread the assigned ceiling among applicable decision units.

FMF OPBUD holders publish and distribute a formal budget procedures manual in the form of Financial Standard Operating Procedures (SOP). This SOP, ceilings and other annual budget guidance when coupled with the general guidance provided by the Field Budget Guidance Manual and related bulletins, and the commanders own knowledge of his current operations, enables the PEH Commander to estimate requirements with a reasonable degree of accuracy.

Additionally, the OPBUD holder should provide the PEH with forms for use in preparing budget estimates, instructions required for the completion of the forms, important budget milestone dates, and information concerning OPBUD holder goals, policies, and objectives.

The long range goals and major objectives of an OPBUD holder are normally provided the PEH by decision unit overview. Exhibit V is the decision unit overview published by FMFLANT concerning the Decision Unit, Maintenance of Equipment. Note the FMFLANT's long range goals, major objectives, alternatives, and accomplishments are addressed by this decision unit overview.

In the FMF, readiness is also addressed by OPBUD holders when communicating objectives to PEH's. This is done by correlating percent readiness and deficiency priorities to ZBB increment levels (see Exhibit VI). Unit deficiencies are defined in the following manner:

Priority One - Applies to deficiencies which impinge upon the ability to adequately accomplish the command's mission. Equipment, repair parts, supplies, material, services, and support of training absolutely essential to accomplishment of the command's mission, if deficient, would be categorized priority one. For FMF Commands, the standard for determining priority one deficiencies in a given decision unit is if the requirement is absolutely necessary to sustain condition two (C-2) or 75 to 85 percent readiness. Conditions of readiness range from C-4 (less than 55 percent ready) to C-1 (90-100 percent ready). Priority one deficiencies are the complement of increment level one in the budget formulation process. Any condition less than C-2 would be the complement of the minimum level in the ZBB process.

OPERATIONS, MARINE CORPS

ZERO BASE BUDGET REQUEST: FY 19

DECISION UNIT: MAINTENANCE OF EQUIPMENT

DATE:

PEN(S): 26100M/26211M/26314M/26315M/26498M

PART 1: DECISION UNIT OVERVIEW ACTIVITY:

APPN/SH: 17()1106.2720 OPBUD/SUBOPBUD:

LONG-RANGE GOAL:

1. To maintain ground equipment of 11 MAF in a state of readiness able to rapidly deploy as directed, for all contingencies for NATO, Europe, the Middle East, and throughout the Atlantic Basin.
2. To maintain ground equipment of 11 MAF in an acceptable status to support standing deployments and sustained operations under widely changing geographic environments at varying levels of intensity.
3. To establish a comprehensive maintenance program for all organizational equipment in the five commodity areas, ensuring that the operational and training commitments of the command can be effectively supported.

MAJOR OBJECTIVES:

1. To attain 90% readiness for combat essential equipment in all commodities, i. e., Comm-Elect, Engineer, Motor Transport, Ordnance, and Navy owned reportable items.
2. To attain 97% repair parts on hand.
3. To support all operational and training commitments.

ALTERNATIVES:

1. To accept a degree of readiness below C-1. If this is accepted a possibility could exist that would limit the capability to support standing commitments and contingencies simultaneously.
2. Reduce the tempo of operations. This would enhance equipment readiness; however, it could have an adverse effect on training proficiency.
3. All first and second echelon organizational maintenance is performed by the command while third and fourth echelon intermediate level maintenance is accomplished by the 2d Force Service Support Group. This method of operation has proven to be the most cost-effective and is the best alternative. Contracting all maintenance to civilian sources was not considered a viable alternative. Additionally, current directives establish maintenance procedures which limit the use of non-hob sources for the performance of these services.

Decision Unit Overview for Maintenance of Equipment
Exhibit V

OPERATIONS, MARINE CORPS

ZERO BASE BUDGET REQUEST: FY 19

DECISION UNIT: MAINTENANCE OF EQUIPMENT

DATE:

26100M/26211M/26314M/26315M/26498M

PART 1: DECISION UNIT OVERVIEW ACTIVITY:

APPN/SH: 17()1106.2720 OPBUD/SUBOPBUD:

ACCOMPLISHMENTS:

1. Average deadline rate has been maintained at 15% (C-1) in all commodity areas.
2. All standing and contingency requirements have been adequately supported.
3. At the current level of operations, this command has an active equipment maintenance program.

RESOURCE REQUIREMENTS:

Expense Element	Fy 1981	MIn Lv FY 1982	Inc Lv 1 FY 1982	Inc Lv 2 FY 1982	Inc Lv 3 FY 1982	Inc Lv 4 FY 1982	Inc Lv 5 FY 1982

TOTAL

Exhibit V(a)

Exhibit VI

Relationship of Deficiency Priority to Condition of Readiness and ZBB Increment Level

Deficiency Priority	Condition of Readiness	Percent Readiness	ZBB Increment level
One	C-2	75-85	increment one
Two	C-2/C-1	86-90	increment two
Three	C-1	91-95	increment three
Four	C-1	96-100	increments four and five

Priority Two - These are unfunded requirements which fall short of being absolutely essential as defined in priority one but are of such magnitude that deficiencies in this priority could cause a marked deterioration in the ability of a command to accomplish its mission. However, continued underfunding of these financial programs from year to year could result in a reclassification to a priority item. Priority two deficiencies relate to borderline C-2/C-1 or 86 to 90 percent readiness and increment level two in the budget formulation process.

Priority Three - A deficiency of lesser significance than priority one or two, but important to the overall effectiveness of the command would be classified priority three. Failure to fund these deficiencies would mean mission degradation over a period of years. Priority three deficiencies equate to C-1 or 91 to 95 percent readiness and are the complement of increment level three in the budget formulation process.

Priority Four - This category includes items considered desirable to enhance the overall effectiveness of a command. Failure to fund these programs would not leave an adverse effect on command readiness. Priority four items relate to sustained C-1 or 96 to 100 percent readiness and to increment levels four and five in the budget formulation process.

The OPBUD holder also furnished the PEH with detailed ZBB guidance and instructions concerning the use of program element numbers, cost account codes, and elements of expense.

e. Budget Guidance Issued to Cost Centers by PEH's

A cost center in the FMF represents the lowest level of financial control. In FMF Ground Units, normally cost centers are battalions, headquarters staff sections and special staff sections. An example of a headquarters staff section is the Deputy Chief of Staff for Operations and the Chaplain would be a special staff section. In aviation units, the lowest level of financial control is usually the aircraft group, although in some cases, cost centers may be established below the group at the squadron level. The PEH has a great deal of latitude in assigning cost center responsibility. Basically, cost center responsibility can be assigned to any organizational entity for which identification of costs is desired and which is amenable to cost control through one responsible supervisor. There is no comptroller organization at the cost center level and budget formulation is the responsibility of the assigned fiscal officer, usually the unit supply officer, who is normally assisted by a fiscal clerk.

Cost center budget organizations are recipients of the Field Budget Guidance Manual and the related Field Budget Guidance Bulletins in the 7100 series. The guidance provided by these publications applies to cost centers only in a very general way. The cost centers rely on the detailed budget guidance provided them by their PEH.

The guidance provided the cost center by its respective PEH is essentially the same type of guidance that the

OPBUD holder provides the PEH. One finds, however, that the PEH disseminates budget information of a very specific nature. The PEH maintains and distributes a formal budget procedures manual, provides forms for cost center use in preparing the budget, furnishes instructions for the completion of the required forms and exhibits, provides information concerning budget milestone and deadline dates, promulgates its goals, policies, and objectives, and furnishes ceilings for the BY.

In the FMF, ZBB is employed at the cost center level for O&M,MC funding. The PEH distributes detailed ZBB guidance to its cost centers to include formulation instructions for applicable decision units at the minimum and incremental levels for the BY+1. Guidance is also provided concerning the formulation of the budget by decision unit within the constraints of the financial ceiling for the budget year. In addition, instructions concerning budgeting for unfunded deficiencies is furnished.

5. Budget Formulation and Submission

a. General

The formulation of an operating budget is a process of determining requirements at the lowest echelon, the FMF Cost Center, and summarizing these requirements with those of other cost centers for the total command at the PEH level. Following this, the summarizations for the requirements of the individual PEH's are summarized at the OPBUD holder level and ultimately there will be one grand summary for the total Marine Corps, FMF included.

b. ZBB Formulation at the Cost Center Level

In addition to the substantive guidance developed at all levels and issued to subordinate echelons, the cost center budget managers rely on their own knowledge of current operations and on historical data drawn from official accounting reports to prepare their budget estimates.

A cost center submits budget input for both the BY and BY+1. For the BY, the budget is submitted in ZBB format only to the extent that the assigned current funding level ceiling is spread among all applicable decision units. The budget year submission is an update of the prior year's BY+1. The ZBB for the BY+1 is prepared and submitted at the minimum and at incremental funding levels. Cost center budget estimates are prepared and submitted on local forms provided them by their respective PEH's.

c. ZBB Formulation at the Basic Budget Management Level

(1) General. As discussed earlier, the basic budget management level is the lowest echelon that decision packages are developed for each fiscal level within a decision unit and subsequently ranked by a ZBB review committee. The ZBB formulated at this level represents a consolidation of the budget input received by cost center managers.

The PEH budget officer should receive budget input from all cost centers over which the budget officer has jurisdiction. The cost center budgets should be submitted in

accordance with the budget calendar. In addition, they should be accurate, adequately supported, and provide the necessary information so that the PEH can consolidate the cost center budget submissions and formulate the budget at the PEH level with minimum difficulty and delay.³⁹

Cost center budgets should be reviewed by a budget review staff at the PEH level that is of sufficient size to ensure effective review and appraisal of the cost center submissions. The cost center budgets should be reviewed to insure that all factors that influenced the submission were incorporated into the budget. Further, the adequacy and accuracy of the budget data submitted should be verified. The budget review staff should coordinate and review with each cost center to insure that the budget request is fully understood. If there are deficiencies in cost center budget submissions, the cost center budget manager involved should be given an opportunity to support the request either through a hearing or by providing additional data before any revision of his budget takes place.⁴⁰

The PEH budget officer should investigate variances in the previous year's budget and take these variances into consideration. Further, outstanding obligations should be considered when preparing the budget. One must assume that an uncanceled, outstanding obligation represents material that will be received in the future, therefore, this material

³⁹Felix Pomeranz and others, Auditing in the Public Sector, (Warren, Gorham, and Lamont, 1976), pp. 118-119.

⁴⁰Ibid., pp. 119-120.

should not be budgeted for again.⁴¹ The PEH budget officer should also insure that all O&M,MC funds requested in the budget can, in fact, be obligated within a year. Apportionment funds requested for obligations to be incurred in future years should be disapproved. Budget items that look to be excessive should be investigated and disapproved if not warranted.

(2) Format and Content for Budget Submission to the OPBUD Holder

Budgets are generally submitted in three sections as shown in Exhibits VII.⁴² Further, data for the budget year is submitted in three parts: decision unit data, mechanized exhibits and a priority listing of deficiencies.

Decision unit data is submitted by completing decision unit overviews and decision packages for each applicable decision unit. Since the budget for the BY is prepared within the constraints of the assigned financial ceiling or at the current level, only one decision unit overview and one decision package is required for each decision unit.

The mechanized portion of the BY submission consists of Navy Comptroller (NavCompt) Form 2168's and 2179-1's produced by the Marine corps Class I Budget System. Before discussing the Class I Budget System itself, it is necessary to explain what the NavCompt 2168 and 2179-1 Forms are and discuss why they are used.

⁴¹Auditor General of the Navy Notice 7500, "Audit Program No.7 Budgeting", 21 June 1979, p. C-2.

⁴²Marine Corps Order P7100.8G, "Field Budget Guidance Manual," 10 March 1980, pp.6-32 through 6-34.

The NavCompt 2168, Operating Budget/Expense Report, is the basic building block used in developing an operating budget. The NavCompt 2168 provides detailed budget information by functional/subfunctional category and cost account code. Further, the NavCompt 2168 represents the command's budget request to higher authority (see Exhibit VIII). The NavCompt 2179-1, Activity Budget/Appportionment Submission Form, is a standard form prescribed for budget submission, and provides detailed budget information by functional/subfunctional category and by element of expense (see Exhibit IX). Both the NavCompt Form 2168 and Form 2179-1 are integral parts of the PEH budget submission. The forms are similar, in that both display information by functional/subfunctional category, and are different, in that the NavCompt 2168 displays information by cost account code and the NavCompt 2179-1 displays information by expense element. The total budget dollar request reflected by each form is identical.

The Class I Budget System is a mechanized process that was developed to support ZBB Operating budget submissions are based on actual and/or anticipated expenses. As discussed earlier, these expenses are identified to the applicable decision unit and formulated at the cost account level. These decision units are displayed in decision package sets and consolidated on a NavCompt Form 2168 for each fiscal level. The Class I System is designed to display budget information within each fiscal level, minimum and increments, by decision

Exhibit VII

Table of Contents and Format for Budget Submission to the OPBUD holder*

Section I - Budget Year

Part A - Decision Unit Data

1. Decision Unit Overviews (apply for both the BY and BY+1)
2. Decision Packages for each Decision Unit

Part B - Mechanized Exhibits

1. NavCompt Form 2168 - Summary Exhibit
2. NavCompt Form 2179 - Summary Exhibit
3. Summary Financial Data - Side by Side Report for the BY, BY+1 and Increment Levels
4. NavCompt Form 2168 - Current Level by Decision Unit
5. NavCompt Form 2168 - Current Level by Decision Unit within Program Element
6. NavCompt Form 2179 - Current Level

Part C - Priority Listing of Deficiencies

1. Consolidated Priority Listing of Deficiencies
2. Narrative Justification of Deficiencies

Section II - Budget Year Plus One

Part A - Decision Unit Data

1. Decision Package Ranking Schedule

2. Decision Packaged for each Decision Unit by
Priority Ranking

Part B - Mechanized Exhibits

1. NavCompt Form 2168 - Summary Exhibit for each
Fiscal Level
2. NavCompt Form 2179 - Summary Exhibit for each
Fiscal Level
3. NavCompt Form 2168 - by Decision Unit for each
Fiscal Level
4. NavCompt Form 2168 - by Decision Unit within Pro-
gram Element for each Fiscal Level
5. NavCompt Form 2179 - one for each Fiscal Level

Section III - Special Budget Exhibits

* extracted from pages 6-32 through 6-35 of MCO P7100.8G

unit. The minimum and each increment represent a distinct fiscal level in the ZBB process. Basically, the automated Class I Budget System provides for creation of mechanized files, the capability to adjust those files, the ability to inquire, the ability to prioritize requirements and the ability to produce the required reports.⁴³

The formats of the NavCompt 2168 and 2179-1 Reports produced by the Class I System differ from the standard reports shown in Exhibits VIII and IX. Recall that there are only two functional categories used by FMF Forces and that decision units used in the FMF are merely aggregations of related cost account codes. In view of this, it is superfluous to separate cost information into functional categories. The mechanized NavCompt 2168, therefore, eliminates the functional/subfunctional category column and cost account column from the NavCompt 2168 and instead separates information on the left side of the form into decision units. The mechanized NavCompt 2179-1 substitutes decision units for functional categories and does this in the far left column of the report form. The elements of expense on the mechanized NavCompt 2179-1 are displayed across the top of the report form.

For the BY, the Class I System produces the following mechanized NavCompt 2168 and 2179-1 Reports:

(a) Summary NavCompt 2168 and 2179 Reports representing the commands total apportionment request for the BY;

⁴³Marine Corps Order P7300.10B, "Mechanized Financial Procedures for Selected Marine Corps Posts and Stations," 22 May 1979, p. 5-5.

TO		BUDGET		REPORT		FOR PERIOD ENDING					
U. S. Naval Activity Washington, D. C. 20390 UIC 66212		NAV5UP3TSCOM		<input checked="" type="checkbox"/> REGULAR <input type="checkbox"/> PLANNED PLAN <input type="checkbox"/> OTHER		30 June 1974					
BUDGET FOR		APPROPRIATION DATA		COST CENTER		REPORTING ITEM OFFICER (Signature, rank and date of submission)					
U. S. Naval Activity Washington, D. C. 20390 UIC 66212		179180A, 2320									
FUNC- SUB FUNC. CAT.	COST ACCOUNT	DESCRIPTION	WORK UNITS	MAN-HOURS		EXPENSES					
(11)	(12)	(13)	(14)	MILITARY (15)	CIVILIAN (16)	MILITARY SERVICES (17)	CIVILIAN LABOR (18)	MATERIAL SUPPLIES (19)	COMMERCIAL CONTRACTS (20)	OTHER (21)	TOTAL EXPENSES (22)
D1	LC10	Administration	3,069	1,300	1,450	7,200	11,500	1,500	9,000		29,200
D1	LC20	Internal Review	27	200	750	800	5,000	500			6,300
D1	LC30	Budget and Statistics		1,000	6,000	6,000	41,000	2,000			49,000
D1	LC40	Accounting	5,800	6,100	16,000	28,000	62,500	2,000			92,500
D1	LC50	Payroll	6,825	8,000	18,000	41,000	91,000	4,000			136,000
D1	LC60	Military Absence		1,000		5,000					5,000
		Subtotal "D1"		17,600	42,200	88,000	211,000	10,000	9,000		318,000
DZ	LC20	Internal Review			800		4,000				4,000
		Subtotal "DZ"			800		4,000				4,000
		Total "D"		17,600	43,000	88,000	215,000	10,000	9,000		322,000
N1	8120	Steam and Hot Water	4,280	1,700	3,250	8,000	42,000	12,000	980		62,980
N1	8220	Purchased Electricity	1,642	700	2,020	4,000	19,000	6,000	2,020		2,020
N1	8240	Electricity, Distribution Systems	2,320	2,400	3,300	12,000	61,000	18,000	5,000		96,000
		Subtotal "N1"		2,400	8,570						
N2	8240	Electricity, Distribution Systems								2,000	2,000
		Subtotal "N2"								2,000	2,000
		Total "N"		2,400	8,570	12,000	61,000	18,000	5,000	2,000	98,000
		Total Operating Expenses		20,000	51,570	100,000	276,000	28,000	14,000	2,000	420,000
		Less: Anticipated Reimburses									6,000
		Total Direct Expenses									414,000
		Change in Unfilled Orders									1,000
		Total Direct Operating Budget									415,000
		Memo Entries:									
		(1) Military Services Authority									100,000
		(2) New Obligational Authority									315,000

Operating Budget/Expense Report
Exhibit VIII

FISCAL YEAR		DATE SUBMITTED		FORM NUMBER		ACTIVITY USE										
1974		15 APRIL 1973		3		66112										
FUNCTIONAL CATEGORIES (in Percent Dollars)																
ELEMENT OF EXPENSE	MISSION OPERATIONS A, B, C	ADMINISTRATIVE D	SUPPLY OPERATIONS E	MAINTENANCE F, G, H	PROPERTY DISPOSITION I	MEDICAL OPERATIONS J	DISSEMINATION K	BASE SERVICES L	MULTIPLIERS M	OPERATION UTILITIES N	OTHER LOGGING P	NORTH CONTINGENCY Q	PERSONNEL SUPPORT R	TOTAL OPERATING EXPENSES	TOTAL ANTICIPATED REIMBURSEMENTS	TOTAL NET OPERATING EXPENSES
MILITARY PERSONNEL		88,000								12,000				100,000		100,000
MILITARY TRAINING																
MILITARY (CONTRACTORS)																
CIVILIAN PERSONNEL		211,000								60,000				271,000	4,000	271,000
TRAVEL OF PERSONNEL																
TRANSPORTATION OF PERSONNEL																
UTILITIES AND MEALS																
COMMUNICATIONS																
PERSONNEL EQUIPMENT MAINTENANCE																
PRINTING & REPRODUCTION																
OTHER PERSONNEL SERVICES		5,000								5,000				10,000	1,000	13,000
STORAGE																
SHIP																
SHIP SUPPLIES		10,000								10,000				20,000	1,000	21,000
EQUIPMENT										3,000				3,000		3,000
OTHER SUPPLIES																
TOTAL OPERATING EXPENSES		322,000								90,000				410,000		
TOTAL ANTICIPATING REIMBURSEMENTS		4,000								3,000				7,000	1,000	
TOTAL NET OPERATING EXPENSES		318,000								96,000				414,000		414,000

Activity Budget/Apportionment Submission Form
 Exhibit IX

(b) A NavCompt 2168 Report for each decision unit at the current or within the constraints of the imposed financial ceiling level;

(c) A NavCompt 2179-1 Report displaying all decision units at the current level; and

(d) A NavCompt 2168 Report for each decision unit at the current level within each program element.⁴⁴

A Consolidated priority listing of deficiencies report for the BY and narrative justification documents for each deficiency listed in the report are also displayed.

The BY+1 submission is separated into two parts; decision unit data and mechanized exhibits. Deficiencies do not apply to the BY+1. The decision unit data part consists of a decision package ranking schedule report produced by the Class I System and narrative explanations of every decision package ordered by rank. The decision package ranking schedule (see Exhibit X) assigns the number 001 to each minimum level package. All minimum level decision packages constitute the minimum budget request of the command, and ranking is not required at the minimum level. All incremental packages follow the minimum level and are ranked ordinally in order of priority, beginning with the number 002.⁴⁵ The incremental package ranking schedule reflects the priority assigned each decision package by the ZBB review committee. The narrative explanation for each decision package includes a description

⁴⁴Marine Corps Order P7100.8G, "Field Budget Guidance Manual," 10 March 1980, p. 6-32.

⁴⁵Ibid., p. 6-4.

of the package, its impact on major objectives and any workload indicators that might apply.

The Class I System produces the following NavCompt 2168 and 2179-1 Reports for the BY+1:

(a) Summary NavCompt 2168 and 2179-1 Reports for each fiscal level;

(b) A NavCompt 2168 Report for each fiscal level by decision unit;

(c) A NavCompt 2168 Report for each fiscal level by decision unit within program element; and

(d) A NavCompt 2179-1 Report for each fiscal level.⁴⁶

The remaining section of the PEH budget submission includes a variety of manually completed special budget exhibits. The special budget exhibits detail budget information for the BY and BY+1 and formats for these exhibits are included in the Field Budget Guidance Manual along with instructions for their completion. The OPBUD holder may require that additional budget exhibits pertaining to the unique requirements of the OPBUD holder be submitted. If so, these exhibits are included in this section.

The Class I Budget System has facilitated the preparation of a ZBB at every budget level. ZBB reports are produced faster and require less labor than the manual reports they replaced.

⁴⁶Ibid., p. 6-33.

OPERATIONS MARINE CORPS				
MAGASBI REPORT	ZERO BASE BUDGET REQUEST FY 01			09/15/79
DECISION PACKAGE RANKING SCHEDULE				PAGE NO. 3
FROM COMMANDING GENERAL				
MCC: 0011				
2 PHASINE AIRCRAFT LANDING				
CHERRY POINT, M.C. 12352				
RANK	DECISION PACKAGE NAME	DECISION UNIT CODE	AMOUNT	
001	MAINT. EQUIP.	70	2500	
001	ADP	74	6000	
001	OTH LOG SPT	74	6000	
MINIMUM		TOTAL AMOUNT	91000	
002	MAINT EQUIP	70	25000	
002	ADP	74	12000	
004	MAINT. EQUIP.	70	25000	
INCREMENT ONE		TOTAL AMOUNT	62000	
005	MAINT EQUIP	70	25000	
006	OTH LOG SPT	74	10000	
007	ADP	74	6000	
008	OTH LOG SPT	74	5000	
INCREMENT TWO		TOTAL AMOUNT	91000	
GRAND TOTAL		TOTAL	244000	

Decision Package Ranking Schedule
Exhibit X

d. Budget Consolidation and Submission by the OPBUD Holders

The BY estimate submitted by the OPBUD holder to CMC provides information which CMC uses to initiate an apportionment request to the Comptroller of the Navy. The apportionment request is an updated budget estimate of the ZBB submitted the previous year. The ZBB submitted for the BY+1 provides the base for formulation of the appropriation budget estimates at HQMC.

The OPBUD holder consolidates the PEH budget estimates into an OPBUD budget estimate and submits a BY and BY+1 estimate to CMC. PEH's submit the mechanized portion of their budget to their OPBUD holder on magnetic tape. The Class I System incorporates procedures whereby the tapes submitted by PEH's are combined to produce consolidated OPBUD holder reports. The mechanized reports described earlier in this chapter and in Exhibit VII apply to the OPBUD holder as well as the PEH. They are formatted exactly the same as the PEH reports but are consolidation summaries. The special budget exhibits and other manually produced documents listed in Exhibit VII require summarization by hand. In addition, the OPBUD holder ranks the PEH submitted BY deficiencies and BY+1 decision packages. At the OPBUD level, additional budget data is also incorporated into the budget estimate. The OPBUD ZBB is then reviewed by an executive budget committee, briefed to the Commanding General, and delivered to HQMC.

6. How the PPBS and ZBB System Link Together

The Class I Budget System serves to link the two systems together. The NavCompt 2168 Reports produced by the Class I System that detail data by decision unit within program element provide the means to correlate cost data either to a program element and then on to the program in the FYDP or directly to the applicable ZBB decision unit. Recall also that a decision unit is merely a conglomeration of related cost accounts and cost account codes, as discussed earlier, match directly to the functional categories of the PPBS. Further, the expense data displayed on ZBB decision unit overviews is expense element data relevant to program budgeting extracted from NavCompt 2179-1 Reports. These relationships show that the modified zero-based concept used by the Marine Corps is, in fact, compatible and intertwined with program budgeting. ZBB as practiced in the Marine Corps complements PPBS.

7. Marine Air-Ground Financial Accounting and Reporting System (MAGFARS) and the Performance Statement, Navy/Marine Corps (NAVMC) Form 10890

a. General

Earlier in this chapter, it was stated that formulation of a unit's financial plan requires guidance provided by higher headquarters and the use of historical cost data in order to project future requirements accurately. This historical

data is produced by MAGFARS, the FMF's cost accounting system and the NAVMC Form 10890.

b. MAGFARS

MAGFARS is an automated, non-accrual, financial accounting and reporting system. Although non-accrual systems do not meet government accounting standards, operating forces have been exempted by the Government Accounting Office (GAO). MAGFARS is a system used exclusively by FMF Forces. The system provides the commander with accounting reports and documents that contain data on the obligation of O&M,MC funds throughout the year as a unit executes its financial plan.⁴⁷ MAGFARS was designed to compliment and connect with the Supported Activities Supply System (SASSY) and also meets the official accounting requirements for operating forces as detailed in Financial Management of Resources (NAVSO P3006-1).⁴⁸ Because no civilian labor is employed in the FMF and because FMF units are for the most part deployable, there exists a need to reduce the accounting requirements levied on operating forces. MAGFARS was designed to minimize the data input required from the FMF unit.

An FMF Commander's operating budget consists of operating budget (OPBUD) or "hard" dollars and requisitional authority (RA) or "soft" dollars. The distinction between the two types of funds is not what they can be spent on but where

⁴⁷Lieutenant Colonel Walter H. Skierkowski, "How a FMF Commander Manages Money," Marine Corps Gazette, V. 63, No. 9, September 1979, p. 60.

⁴⁸Ibid.

they can be spent. RA dollars can only be obligated at the SASSY Management Unit (SMU). For every RA dollar authorized to a unit, a matching OPBUD dollar is provided to the SMU for use in purchasing items from their source of supply in order to maintain stock levels in anticipation of demands from customers.⁴⁹ A one-for-one dollar trade is not strictly feasible due to the SMU's operating costs which are not charged to the customer. As a result, the Decision Unit, Supply Support, is used by the SMU to budget for its operating or "overhead" costs. The SMU operates as a cost center of the nearest FSSG. In the First Marine Brigade located in Hawaii, no local FSSG exists so the SMU operates as a brigade cost center.

OPBUD dollars can be used to purchase authorized material from other sources when this material is not available from the SMU. An open purchase of supplies from a civilian source or a purchase from Direct Support Stock Control (DSSC) commonly referred to as "self service" are examples of how "hard" dollars may be spent. Normally, an FMF Commander will receive the majority of his funding in RA dollars.⁵⁰

In reference to MAGFARS, the operating unit only inputs cost data concerning OPBUD obligations. All RA obligations are automatically transmitted by SASSY to MAGFARS and are reflected on periodic MAGFARS reports.⁵¹ The reports that are of interest to the FMF Commander in terms of the production of historical cost data to be used in the budget formulation

⁴⁹Ibid., p. 57.

⁵⁰Ibid., p. 57.

⁵¹Ibid., p. 60.

process, referred to in finance circles as cost accounting reports, include the:

(1) Operating Forces Financial System (OFFS)

RA Cost Center Status of Funds. This report is produced at least weekly and reflects the RA dollars authorized, the amount obligated at the SMU and the amount spent by the unit from the start of the fiscal year through the closing date of the report. This report is the primary fiscal document used to follow the status of a unit's "soft" dollars, particularly the available balance.⁵²

(2) OPBUD Cost Center Status of Funds. This

report is produced at least weekly and reflects "hard" dollars authorized, obligated and spent by the FMF unit from the start of the fiscal year through the closing date of the report. This report is used for the purpose of keeping track of the available balance and status of a unit's "hard" dollars.⁵³

(3) OPBUD Financial Transaction Journal. This

report is also produced at least weekly and is used to reconcile a unit's financial transactions for "hard" dollars. Each document processed in the period covered is listed by job order number, number and the amount processed.⁵⁴

(4) OFFS RA Financial Transaction Journal.

This report is produced at least weekly and is used to reconcile a unit's "soft" dollar transactions. Each document processed

⁵²Ibid., p. 60

⁵³Ibid., p. 60

⁵⁴Ibid., p. 60

⁵⁵Ibid., p. 60

in the period covered is displayed by number, job order number, and the amount processed.⁵⁵

Examples of these reports are shown in Exhibit XI. For budgetary purposes, the critical identifier on each FMF fiscal transaction document is the job order number (JON). The JON code is a 14 digit number that identifies where, why, and for what the money was used. The applicable decision unit, fiscal year, cost center, cost account code, expense element, source of supply and additional information not critical to the unit's budgetary process is coded in the JON. With some manual effort, a unit fiscal manager can convert and consolidate the coded information presented by JON in the MAGFARS reports into historical cost information. This historical cost information can be very useful in projecting future requirements and incorporating these requirements into the unit's budget submission.

Both RA and OPBUD dollars are budgeted separately at the PEH level. A document entitled the Monthly Phased Obligation and Performance Plan is submitted to the OPBUD holder as part of the PEH's budget submission. This exhibit is displayed three ways: for OPBUD dollars, RA dollars, and a total exhibit that adds both RA and OPBUD together. In this exhibit, a PEH displays monthly obligation forecasts, in dollars, for the budget year. The basis for the monthly forecasts is the total PEH apportionment request.

c. NAVMC Form 10890

In addition to the reports produced by MAGFARS, the NAVMC Report 10890, a report produced by the Class I System,

⁵⁵Ibid., p.60

15 SEP 1978

[illegible]

15 SEP 1978

[illegible]

MAGFARS Reports

Exhibit XI

OFFS COST CENTER STATUS OF FUNDS REPORT					15 SEP 1978		
APPROPRIATION	SUBHEAD	MCC	EOB	AAA	COST CENTER	RUN NUMBER	8258AS
1781106	2720	OX1	68999	68999	A3 1st Bn 33d MAR		
DESCRIPTION	AUTHORIZATION	TOTAL	%	TOTAL	OUTSTANDING	AVAILABLE	
		OBLIGATIONS	OBL	EXPENDITURES	OBLIGATIONS	BALANCE	
Prior Report Balance	200,000.00	175,000.00	88	150,000.00	25,000.00	25,000.00	
Net Change this Report	0.00	15,000.00	-	10,000.00	5,000.00	15,000.00	
New Balance	200,000.00	190,000.00	95	160,000.00	30,000.00	10,000.00	

OPBUD COST CENTER STATUS OF FUNDS REPORT					15 SEP 1978		
APPROPRIATION	SUBHEAD	MCC	EOB	AAA	COST CENTER	RUN NUMBER	8258AS
1781106	2720	OX1	68999	68999	I3 1st BN 33d MAR		
DESCRIPTION	NEW	OBLIGATIONAL	UNDELIVERED	EXPENDITURES	%	OBLIGATIONAL	EXPENSE
	AUTHORITY	ORDERS	ORDERS	USED	REMAINING	AUTHORITY	REMAINING
Prior Report Balance	50,000.00	0.00	0.00	80	10,000.00	50,000.00	40,000.00
Net Change this Report	0.00	0.00	0.00	-	5,000.00	0.00	5,000.00
New Balance	50,000.00	0.00	0.00	90	5,000.00	50,000.00	45,000.00

Note: This exhibit is reproduced from LTCOL W.H. Skierkowski's article, "How a FMF Commander Manages Money."

Exhibit XI(a)

can be useful to budget officers at the PEH and OPBUD holder levels. This report provides the FMF Commander with information reflecting budget execution based on total actual obligations incurred compared to the approved budget program. Monthly, actual cumulative obligations are compared to the approved annual budget. This report provides a valuable tool for program analysis at all levels of review. With regard to the budget formulation process, the NAVMC 10890 provides data that facilitates the investigation of budget versus actual variances in the current and prior year's financial plan and these variances provide information that is useful to the projection of future requirements. The NAVMC 10890 displays information by decision unit, program element and cost account code (see Exhibit XII).

D. OPERATIONS AND MAINTENANCE, NAVY (O&M,N)

1. General

As mentioned earlier, the majority of O&M funds that support FMF Aviation units come from the O&M,N appropriation, so-called "blue" dollars as opposed to O&M,MC funds referred to as "green" dollars. This section will discuss the differences between O&M,MC and O&M,N funding and budget formulation in FMF Aviation units.

2. Organization for Funds Flow and Budget Submission

Exhibit XIII depicts the organization for O&M,N funds flow as it applies to the CONUS based FMF. Note that the

Commander, U.S. Naval Air Forces, Atlantic Fleet (COMNAVAIRLANT) and the Commander, U.S. Naval Air Forces, Pacific Fleet (COMNAVAIRPAC) are the operating budget holders and as such retain Section 3679 R.S. responsibility. They pass operating targets (OPTAR's) to the Commanding Generals of FMFPAC and FMFLANT who, in turn, pass OPTAR's on to their subordinate Marine Air Wings. An OPTAR implies the same responsibility regarding O&M,N funds as a planning estimate implied regarding O&M,MC funds. The Marine Air Wing Commander, being designated an OPTAR holder, is the person granted administrative control of a designated amount of funds.

3. "Blue" Dollar Categories

a. General

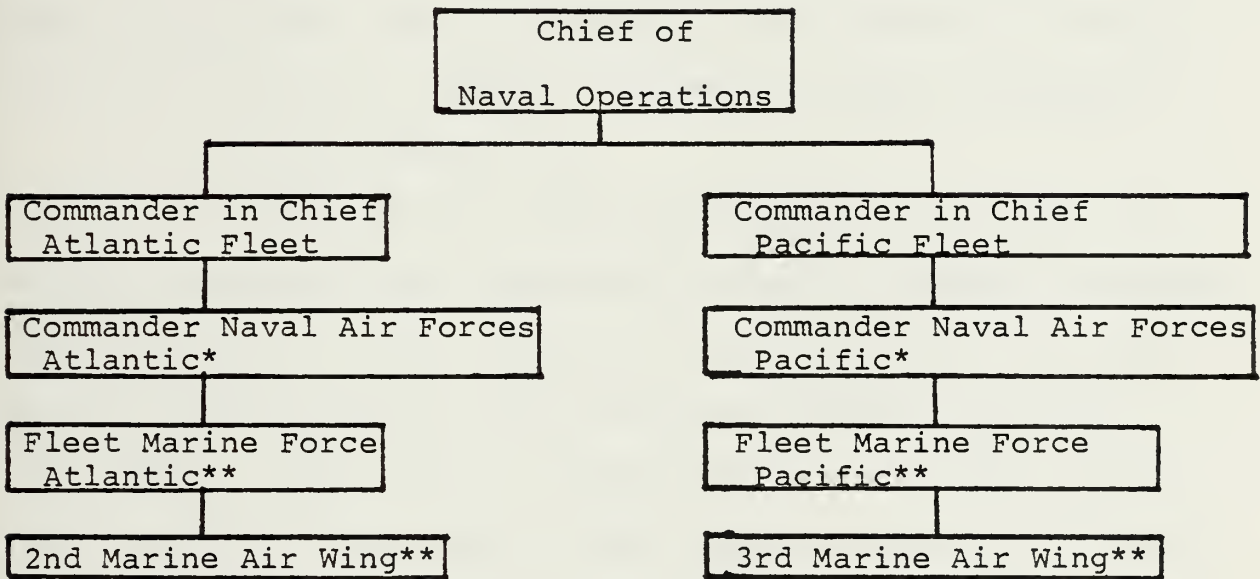
The distinction between "blue" and "green" dollar support in an aviation unit is made concerning what each source will buy. "Blue" dollars support the following funding categories:

b. OPTAR Functional Category (OFC) 01 Flight Operations

OFC-01 OPTARS are granted to FMF Aviation Unit Commanders for the purpose of financing costs incident to the operation of aircraft. Additionally, the costs of landing fees at contractor managed activities are properly chargeable to OFC-01. Primarily, OFC-01 funds all petroleum products consumed in flight operations. As one might expect, fuel expenses account for the majority of O&M,N funds consumed by

Exhibit XIII

Organization for Funds Flow and Budget Submission in
the CONUS Based FMF, Operations and Maintenance, Navy
Appropriation



* Operating budget holder
** Operating target holder

FMF Aviation Units. Specifically, 60 to 70 percent of total O&M,N funding pays the flight operations fuel bill.⁵⁶ OFC-01 also funds numerous other aircraft operating expenses.

c. Aviation Consolidated Allowance List (AVCAL) OFC 08

The OFC-08 OPTAR is granted to FMF Units in order to position aircraft spare parts for support of flight operations, aircraft maintenance, and repair of Marine Aviation expeditionary equipment. Significant funds are provided by this category for outfitting and reoutfitting deckloads for aircraft carriers, for major changes in deckloads due to changes in aircraft type or equipment, and for material AVCAL losses and surveys.

d. Aviation General and Special Support Equipment

Outfitting OFC 09

O&M,N OFC-09 targets are granted to finance all initial outfitting, and replacement of ground support equipment (GSE) required for the readiness of the aircraft maintenance activity as detailed by the Individual Material Readiness List (IMRL). The IMRL is a machine printed document specifying items and quantities of GSE required by aircraft activities to perform organizational maintenance on the aircraft assigned to that activity. O&M,N funded GSE is commonly referred to as "yellow" flight line gear as opposed to the O&M,MC funded "green" GSE.

e. UNIVAC 1500 Computer (U-1500) OFC 10

OPC-10 OPTAR's are provided Marine Aviation Units to finance the following expenses: the lease of Electronic

⁵⁶Chief Warrant Officer-4 J.R. Waterbury, 3rd Marine Air Wing Budget Officer, conversation on 24 June 1980.

Accounting Machine (EAM) equipment; the purchase of consumable computer related administrative supplies; the maintenance and purchase of repair parts for U-1500 government owned hardware; the purchase of supplementary Automated Data Processing (ADP) accessories; and the financing of contractual computer related operating expenses. The U-1500 computer, developed initially during the computer "stone age", is unique to Marine Aviation Units. Ground FMF Units are supported by the IBM 360.

f. Fleet Photographic Material and Equipment OFC 15

O&M,N OFC-15 OPTAR's are provided to fund the photographic consumable material used in the daily support of aircraft units designated to perform aerial reconnaissance missions.

g. Aviation Temporary Additional Duty OFC 21

This category funds all TAD expenses of personnel attached to an aviation unit. Authorized travel and per diem are TAD expenses and properly funded by OFC-21. Per diem expenses are those related to an individual's lodging and subsistence while temporarily assigned.

h. Aviation Fleet Maintenance OFC 50

OFC-50 funds are provided FMF Aviation Units to finance the maintenance of their aircraft. A few examples of OFC-50 funded expenses are aircraft parts, corrosion control materials, consumable hand tools and decals.

4. The Flying Hour Program

OFC 01 and OFC 50 fund categories are included in the Navy Flying Hour Program. An automated document referred to

as Operations Plan 20 (OP-20) is published at least annually by the Chief of Naval Operations (CNO). This document provides two types of information critical or important to an FMF Aviation Commander. First, it provides the FMF Commander with guidance concerning the annual authorized number of flight hours that may be flown by each type of aircraft. Additionally, it tells the FMF Commander the dollar amount to be budgeted for each aircraft flight hour by aircraft type. For example, OP-20 would detail for the 3rd Marine Air Wing (MAW), headquartered at El Toro Marine Base in Southern California, both the maximum number of hours that each of its F-4's (a type of fighter aircraft) is authorized to fly and how much each one of these flight hours is worth.

OFC 01 and OFC 50 budgets are then formulated at the OPTAR holder level by the wing "blue" dollar budget organization. They multiply the number of aircraft maintained by type times the amount per flying hour by type as detailed by OP-20 times the estimated number of hours to be flown by aircraft type during the BY. This figure when summarized for all aircraft types, represents the OFC-01 and OFC-50 budget requests for the BY and the BY+1. Typically, the Wing Operations Officer (G-3) provides the budget organization with BY and BY+1 flying hour estimates. These flying hour estimates detail both the aircraft type and the performing FMF Unit. The information published by OP-20 reflects the results of a complicated analysis of historical data submitted by Navy and Marine Aviation Units.

5. Budget Guidance

A basic difference between budget guidance issued to FMF Commanders for O&M,N funds and that promulgated for O&M,MC funds concerns ZBB. The Navy does not utilize the "bottom up" approach discussed earlier in its ZBB formulation. A ZBB is, however, formulated at the COMNAVAIRPAC and COMNAVAIRLANT levels. Consequently, O&M,N guidance promulgated to FMF Commanders makes no reference to any ZBB concepts or terms.

In addition, functional categories, cost accounts and expense elements are not addressed in guidance provided FMF Aviation Commanders because budgets are not formulated in these terms. Guidance concerning the use of fund codes and type equipment codes is provided for O&M,N Aviation funds and these codes effectively replace the identifiers used for O&M,MC funds.

A fund code is a two digit code which identifies the type of charge and is used to record the charge against COMNAVAIRPAC or COMNAVAIRLANT funds. For example, aviation fuels consumed in flight operations are assigned the fund code 7B while also being part of the general OFC 01 flight operations category.

A type equipment code (TEC) is a four digit code which uniquely identifies an aircraft type/model/series. It is used to properly distribute charges among the various type/model/series aircraft in order to facilitate effective cost accounting for OFC 01 and OFC 50 funds.

Budget guidance regarding O&M,N funding in FMF Aviation Units can be effectively separated into two areas; guidance concerning those OFC categories included in the flying hour program and guidance concerning those OFC categories that are not included in the flying hour program. Although OP-20 defines a maximum number of flight hours to be flown by aircraft type, the FMF Commander ultimately decides on the hours to be flown in view of mission requirements not to exceed the authorized maximum. The Wing G-3, being responsible for total wing flight operations, provides the Aircraft Group Commander with a flying hour ceiling that reflects wing operational goals and objectives. In reference to other OFC fund categories, OPBUD holder goals and objectives are provided respective FMF Aviation Wings and Wing Commanders in turn promulgate their goals and objectives to Aircraft Group Commanders. OFC category fund ceilings for the BY and the BY+1 are provided to support these goals and objectives. As a general rule, the aircraft group represents the lowest level of cost control or cost center in an FMF Aviation Unit.

6. Budget Formulation

Formulation of financial plans commence at the aircraft group, are summarized at the wing, and submitted to COMNAVAIRPAC and COMNAVAIRLANT via FMFPAC and FMFLANT, respectively. The NavCompt 2168 and 2179-1 Reports discussed earlier do not apply to O&M,N funding in FMF Units nor do any of the other forms and exhibits prescribed for O&M,MC funding. Group

fund administrators formulate and submit BY and BY+1 estimates on forms developed and provided them by the Wing Budget Officer. The Wing Budget Officer formulates and submits the budget estimate on forms and according to the instructions detailed by the appropriate OPBUD holder. Recall that O&M,MC budget estimates are submitted to OPBUD holders in a uniform format and on uniform reports and exhibits due largely to the development of the Class I Budget System and guidance promulgated by CMC. This uniformity is not evident in O&M,N budget formulation as there exist substantial variation in the budget submission format between FMF Aviation Units on the east coast and those located on the west coast. Further, the O&M,N budget formulation process in FMF Aviation Units is not supported by an automated system.

7. Cost Accounting Systems

MAGFARS is strictly an O&M,MC reporting system as is the distinction made between OPBUD and RA authority. The cost accounting systems used by both the 2nd and 3rd MAW's are manual systems developed by the cognizant wing budget organizations. These systems provide historical cost data summaries for use in budget formulation and allow Wing Budget Officers to analyze differences between actual obligations and their financial plans.

E. SUMMARY

In summary, this chapter has presented the Marine Corps approach to budget formulation in the FMF. The budget formulation process as detailed by Navy and Marine Corps publications

and directives, personnel working in the Marine Corps budget formulation field, and general published academic guidance applying to budget formulation in public/non-profit organizations has been discussed.

Specifically, this chapter reviewed the various appropriations that apply to the FMF Commander. The operations and maintenance appropriations (i.e., O&M,MC and O&M,N) received the majority of attention as these appropriations are budgeted and managed by FMF Field Commanders. The budget guidance issued by HQMC, the OPBUD holders, and the subordinate PEH's was also presented. In addition to budget guidance promulgated by FMF Commanders, organization for budgeting and the budget formulation process starting at the cost center level and proceeding through the PEH and OPBUD holder level was reviewed. This chapter has presented the information necessary for an understanding of the survey and survey analysis to follow in Chapter III.

III. SURVEY OF PLANNING ESTIMATE AND OPERATING TARGET HOLDERS IN THE FLEET MARINE FORCE (FMF)

A. INTRODUCTION

This chapter discusses a survey of FMF budget organizations at the lowest level for which there exists a comptroller function; that is at the division, wing, force service support group (FSSG) and brigade levels. First, the survey methodology and the scope of the survey will be discussed. Additionally, the survey sources and survey questions will be addressed. Finally, the survey results and an analysis of the results will be presented. This chapter will only discuss the survey results and analyze the relationships that may exist between the answers for various survey questions. Conclusions drawn from these relationships and conclusions drawn from answers to other survey questions will be discussed in Chapter IV. The survey questionnaire results pertain to the budget year, 1981, and the budget year plus one 1982.

B. ORGANIZATIONS SURVEYED, SURVEY METHODOLOGY AND SCOPE OF THE SURVEY

In this study, answers to the questions detailed on the survey questionnaire attached as Appendix B were obtained from all of the planning estimate/operating target (PE/OPTAR) holders in the Continental United States (CONUS) and in Hawaii. These organizations include the 2nd Marine Air Wing, 2nd Marine

Division, and 2nd FSSG on the east coast; the 3rd Marine Air Wing, 1st Marine Division, and 1st FSSG on the west coast; and the 1st Marine Brigade in Hawaii. The budget officers and their respective budget organizations were the targets for the survey. In all, nine budget officers were surveyed in June, July and August of 1980. Seven organizations were surveyed in this study, however, since Marine Air Wings maintain separate budget organizations for "blue" and "green" dollars two officers were queried in each of the wings. The budget organization personnel on the west coast were visited and interviewed personally by the author during the period from the 23rd to the 27th of June 1980. In addition, the budget officer of the 2nd FSSG was interviewed personally in Monterey, California on the 30th of July. The remaining four budget officers on the east coast and in Hawaii were interviewed by telephone during July and August as resource constraints imposed on the author precluded personal travel to conduct interviews on site.

The survey was designed to evaluate the budget guidance, formulation and submission process of the PE/OPTAR holders in the FMF. Specifically, the survey was organized to evaluate the PE/OPTAR holder's budget organization, the budget training program, the budget calendar, the budget guidance issued to the PE/OPTAR holder and the budget guidance issued by the PE/OPTAR holder to subordinate cost centers. In addition, cost center

budget input and the PE/OPTAR holder's budget consolidation and formulation process was addressed.

C. SURVEY QUESTIONNAIRE

1. Survey Sources

The survey attached as Appendix B was developed from several sources. Published sources dealing with preferred budget practices for public organizations and Navy/Marine Corps directives were used as references for the survey questions. The source(s) that each question was derived from is/are listed in parenthesis immediately following the question. For the most part, questions were constructed from information presented in the source(s) and adapted to the budget process in the FMF. Some questions, however, were drawn directly out of the source with little alteration, notably, the questions drawn from Pomeranz's, Auditing in the Public Sector.

2. Survey Questions

Appendix B is divided into four parts. Part A deals with the budget organization itself and budget training, part B with the budget calendar, part C with budget guidance and part D with budget formulation. The survey questions are self-explanatory when combined with the information presented in Chapter II. In order to provide an adequate overview, a synopsis of each survey part is presented as follows.

a. Organization for Budgeting and Training

Eleven questions derived from four different sources appear in Part A of the survey. Part A endeavors to solicit

information concerning the overall organizational structure, the individual responsibilities of budget organization members, turnover of budget personnel and the budget training conducted by the PE/OPTAR holder budget officer.

b. Budget Calendar

Part B contains four questions concerning the publishing of budget submission deadline dates and questions concerning the adequacy of the dates detailed by the budget calendar.

c. Budget Guidance

Part C is divided into two sections. The first section deals with operating budget (OPBUD) holder guidance issued to PE/OPTAR holders and the second section addresses PE/OPTAR holder budget guidance issued to cost centers. Part C includes numerous questions relating to budget guidance and addresses the following general topics: the budget procedures manual; budget forms; goals, policies, and objectives; zero-base budgeting; budget ceilings; inflation; flying hour and other O&M,N funded costs; "hard" and "soft" dollars; unfunded deficiencies; and guidance concerning the use of various expense categories and codes.

d. Budget Formulation

Part D addresses the budget formulation and submission process at the PE/OPTAR holder level. Questions are included concerning cost center budget input, review of cost center input, budget consolidation and budget formulation at the PE/OPTAR holder level, PE/OPTAR holder budget submission,

the Class I budget system, the utilization of historical cost data and budgeting for investment type items.

D. RESULTS AND ANALYSIS OF THE SURVEY

1. General

Survey results have been consolidated and are presented in Exhibit XIV. Exhibit XIV presents in abbreviated form, the questions detailed on the survey shown in Appendix B. Note that the survey parts and question numbers match in both Exhibit XIV and Appendix B. Further, Exhibit XIV separates each of the questions shown in Appendix B into its component parts. Most of the survey questions were designed to solicit "yes" or "no" responses from the PE/OPTAR holder budget officers. The number of budget officers responding to each of the questions is noted in parenthesis at the end of each question and the number of respondents answering "yes" to a question is displayed in both numerical and bar graph percentage of total form. Seven of the survey questions cannot be answered "yes" or "no" but require short answers. These answers are included as notes in Part E of Exhibit XIV. All budget officers answered every question asked of them. The survey is constructed so that most of the questions apply to all nine budget officers. However, questions applying only to "green" dollars require responses from seven budget officers and questions concerning "blue" dollars require responses from only the two wing "blue" dollar budget officers included in the survey.

For example, the first question in Part A of Exhibit XIV reads; "Is there a PE/OPTAR holder identifiable budget organization?"

and "Is there a cost center identifiable budget organization?" Notice that the first question in Part A of Appendix B has been both abbreviated and divided into its component parts for display in Exhibit XIV. Further, the question applied to all nine of the budget officers included in the survey and all nine answered "yes." The bar graph simply converts nine of nine into 100 percent. This convention allows one to display questions with differing numbers of respondents on the same graph.

2. Organization and Training

All of the survey questions detailed in Part A of Exhibit XIV solicited responses from all nine budget officers. Notice that turnover is seen to be a problem in all of the surveyed budget organizations at the cost center level. Also, all but one of the respondents claimed turnover to be a problem at the PE/OPTAR holder level. Note one of Exhibit XIV depicts that the combined average turnover rate for both budget personnel working at the PE/OPTAR level and for cost center budget personnel ranges from 100 percent in 18 months to 100 percent in three years.

The survey results indicate that only three of the nine respondents conduct an ongoing training program. Consequently, only three of the nine respondents perceived that cost center personnel in their budget organizations were adequately trained and knowledgeable concerning budget formulation requirements and procedures. Further, only five of the nine budget officers questioned thought that budget personnel at their own level were adequately trained and knowledgeable.

Four PE/OPTAR budget officers related that they were not manned in accordance with their Table of Organization. That is, they did not possess budget personnel of the prescribed rank or number. Only three PE/OPTAR budget officers related that cost center fiscal organizations were undermanned. Two budget officers thought that their Table of Organization was adequate and the others felt that they need a larger staff in order to perform the budgetary duties required of them.

Three PE/OPTAR budget organizations reflected a lack of defined organizational structure and the same three did not maintain organization charts. Three budget officers did not maintain written descriptions defining the functions, responsibility, authority and relationships of each position in their budget organization. Further, three budget officers related that their cost centers did not have an organizational function (i.e., an assigned fiscal officer) responsible for cost center budgeting.

All budget officers related that they were, in fact, the assigned budget officer and that they had an identifiable organizational function responsible for budgeting. In all cases, the budgeting function was separate from accounting.

3. Budget Calendar

Part B of Exhibit XIV indicates that although all the PE/OPTAR holders maintain budget calendars that detail budget submission due dates, only three of the nine respondents felt that their budget calendar permitted them adequate time to consolidate their cost center budget submissions and formulate

the PE/OPTAR holder budget. However, five of the nine budget officers questioned thought that the budget calendar allowed their cost centers adequate budget preparation time. This implies that the cost center budget managers are affected less by the time crisis than are the PE/OPTAR budget officers.

4. Budget Guidance

The first item of consequence in Part C of Exhibit XIV is the fact that only one of the questioned budget officers related that the budget procedures manual provided him by the OPBUD holder was current. Note two reflects that of the four budget procedures manuals published by OPBUD holders in the FMF, only one of the four has been updated within the last three years.

The survey results also show that only one of nine PE/OPTAR holders are provided with an analysis of their previous year's activities and, in turn, only one third of the PE/OPTAR holders provide their subordinate cost centers with an analysis of the cost center's previous year's activities.

Regarding budget ceilings promulgated to the PE/OPTAR holders by their respective OPBUD holders, all OPBUD holders publish ceilings by message or formal directive as required by Financial Management of Resources NAVSO P3006-1. Only one of the surveyed budget officers claimed that the published ceiling provided was, in fact, provided early enough to allow for accurate and timely submission of the PE/OPTAR budget

estimate. Each of the PE/OPTAR budget organizations that were not provided a timely published ceiling were, however, provided a ceiling via informal communication prior to the promulgation of published ceiling guidance. Additionally, three of the eight PE/OPTAR budget organizations that received informal ceiling guidance prior to published guidance claimed that the informally provided ceilings did not agree with subsequent published ceilings. Note six of Exhibit XIV indicates that these three budget organizations were subordinate to a common OPBUD holder and that published formal ceilings afforded the PE holder more funding than did the informal ceilings provided earlier. Note six further indicates that in all three cases, the PE holder was able to handle the ceiling fluxuation easily by using the additional money to fund deficiencies according to the PE holder's prioritized deficiency listing.

The survey indicated that both OPBUD holders and PE/OPTAR holders budget for the uncertainty of inflation in different manners. Four of the nine surveyed PE/OPTAR holders indicated that they receive inflation guidance for the budget year from the OPBUD holder and, in fact, budget for inflation at their level. The other five budget officers questioned stated that the responsibility for budgeting inflation remained at the OPBUD holder level. In turn, only four of the nine budget officers pass inflation guidance on to their cost centers. As one might expect, the same four PE/OPTAR holders that receive inflation guidance from their OPBUD holder, pass

it on to their cost centers and require the cost center budget manager to consider the effects of inflation in cost center budget year estimates.

Concerning the issue of "hard" and "soft" dollar budgeting, the survey indicated that the matter is handled differently on the west coast than it is on the east coast. As discussed in Chapter II, all PE holders submit a monthly phased obligation plan that details the monthly plan for both total dollar obligations and the "hard" and "soft" dollar split. Recall that "blue" dollar budget officers do not deal with a "hard" and "soft" dollar split. Interestingly, all of the budget officers queried admitted that the "hard" and "soft" dollar split indicated on the monthly phased obligation plan was only a very rough estimate. Actually, the survey indicated that only three of the seven PE holders (i.e., "green" dollar budget organizations) considered, formulate "hard" and "soft" dollar budgets separately. In the other four PE organizations, the "hard" and "soft" dollar split is considered after the budget is formulated and submitted but before the start of the budget year. The OPBUD holder that does require an initial "hard" and "soft" dollar split to be made during budget formulation, further, requires that all "soft" dollar requirements be budgeted under the program element number for the FSSG. Recall from Chapter II that the Class I budget system is programmed to efficiently handle the "hard" and "soft" dollar split when "soft" dollars are budgeted under the FSSG program

element number. One final note on the "hard" and "soft" dollar split is that five of the seven surveyed PE holder budget organizations require their cost centers to formulate separate "hard" and "soft" dollar budgets. This indicates that two PE organizations that require their cost centers to budget "hard" and "soft" dollars separately are not required to perform the "hard" and "soft" dollar split themselves.

According to survey results, seven of nine PE/OPTAR holder budget organizations publish and distribute a budget procedures manual to their cost centers pertaining to general budget information applying from year to year. Of these seven budget organizations, only three of the organizations have kept their procedures manual up to date. In fact, note three of Exhibit XIV indicates that only two of the manuals have been updated within the last three years and one of the manuals has not been updated since 1972, long before zero-base budgeting gained currency.

Two of the surveyed "green" dollar budget organizations do not provide zero-base budgeting guidance to their cost centers nor do they require their cost centers to submit estimates in zero-based format. These two budget organizations are still required, however, to formulate a zero-base budget at their level and must do so according to the cost center budget input provided them.

All nine of the surveyed PE/OPTAR budget organizations provide their cost centers with budget year ceilings, however,

four of the nine admit that they do not provide these ceilings early enough to allow for timely and accurate cost center budget submission. Further, three surveyed budget officers stated that cost center ceilings were changed after they were initially promulgated. However, due to a shortage of time, cost center budget managers were not given the opportunity to adjust their budget requests according to the revised ceilings. All other questions detailed in Part C of Exhibit XIV and not specifically discussed in this section of Chapter III, were responded to favorably (i.e., a "yes" answer) by all of the queried PE/OPTAR holder budget officers.

5. Budget Formulation

This section refers to Part D of Exhibit XIV. Notice that all nine of the surveyed budget officers indicated that their budgets were based on input from both cost centers and other sources. Note four discusses sources for budget data that supplement cost center budget input.

Of particular consequence in Part D, is the claim by five of the nine surveyed budget officers that cost center budget submissions did not provide them with the information they needed to consolidate and formulate the budget at their level with minimum difficulty and delay. Specifically, two budget officers claimed that cost center submitted forms were not completed correctly. Four respondents claimed that cost center submissions were not accurate. And six respondents

claimed that cost center budget requests were not adequately supported. That is, the narrative justification for budget dollar figures was weak or lacking. Earlier in this chapter, other survey responses were discussed that possibly bear a direct relationship to the quality of cost center budget submissions. Recall that only three of nine budget organizations conduct budget training and only three of nine PE/OPTAR holder budget officers viewed cost center budget personnel to be adequately knowledgeable in budget formulation requirements and procedures (see Part A of Exhibit XIV). Further recall that four of nine budget officers admitted that they do not provide their cost centers with timely ceilings and two of seven "green" dollar budget officers stated that they do not provide their cost centers with zero-base guidance. Two budget organizations do not publish a budget procedures manual and of the seven budget organizations that do, only three of the organizations have kept the manual up to date. Also recall that only one of nine PE/OPTAR holder budget officers provides subordinate cost centers with appraisals of their prior year's fiscal performance compared to their financial plans (see Part C of Exhibit XIV). The relationships that exist between survey responses in Parts A,C, and D of Exhibit XIV will be drawn together in the concluding chapter.

The survey results indicate that all nine of the PE/OPTAR budget organizations perform the necessary review of cost center budget estimates. In two of the budget organizations

however, the budget review staff is not viewed to be of sufficient size or viewed to possess adequate expertise to perform a satisfactory review of cost center budget estimates.

Note five of Exhibit XIV indicates that deficiencies in cost center budget estimates are corrected at the PE/OPTAR holder level. Major deficiencies are challenged and correcting action is required of cost center budget managers. Minor deficiencies are corrected by the budget review staff or by the budget officer without cost center involvement. Further, only three of the surveyed budget officers related that they have adequate time to obtain corrective action from cost center budget managers and, therefore, are required to perform corrections themselves.

Only five of nine PE/OPTAR budget organizations consider outstanding obligations when preparing the budget. This means, of course, that in four budget organizations, no consideration is paid to uncanceled orders for which the obligation has been incurred for material fully expected to be received in the future. The term obligation is discussed in Chapter II and defined in Appendix A.

Three of the nine budget organizations do not consider variances between the prior year's financial plan and actual obligations incurred during the prior year when preparing their budget estimates. Budget versus actual variances are also not investigated in these three PE/OPTAR budget organizations.

The survey results indicate that three of nine budget organizations expend time and effort considering minor funding

items that are not sufficiently significant to warrant budgetary control.

The survey results also point out that of the seven "green" dollar budget organizations, only four of these organizations utilize a budget review committee to rank decision packages as required by the Field Budget Guidance Manual.

Concerning the Class I budget system, five of the seven "green" dollar budget officers agreed that the system has facilitated the preparation of their zero-based budget. Note seven of Exhibit XIV lists the various problems encountered by PE/OPTAR holder budget officers regarding the use of the Class I budget system. The time required to prepare computer input, training of budget personnel and coordination with computer center personnel are problems that were specifically addressed by survey respondents.

As a final note on Part D of Exhibit XIV, only four of the seven surveyed "green" dollar budget officers stated that their cost center budget managers considered the historical cost data produced by the Marine Air Ground Financial Accounting and Reporting System (MAGFARS) and the NAVMC 10890 Reports when preparing their cost center budget estimates. Other survey questions detailed in Part D of Exhibit XIV and not yet discussed in this chapter were responded to favorably by all applicable budget officers.

E. SUMMARY

In summary, this chapter dealt with a budget formulation survey of the PE/OPTAR holders in the CONUS and Hawaii based

FMF. The survey scope, methodology, sources and questions were discussed. In addition, the survey results were presented and reviewed. The next and last chapter of this study will discuss the conclusions drawn from the survey results presented in this chapter and make recommendations concerning budget formulation in the FMF.

A results summary indicates that of the 97 questions listed in Exhibit XIV that required a "yes" or "no" response, 54 of the questions or 56 percent solicited a 100 percent favorable response from all applicable budget officers. Further, 27 of the questions or 28 percent resulted in a favorable response from more than 50 percent of the budget officers surveyed and 16 questions or 16 percent resulted in a favorable response from less than 50 percent of the respondents. Two questions in Exhibit XIV resulted in an unfavorable response from every budget officer that answered the question.

Exhibit XIV

Results of Budget Guidance, Formulation and Submission Survey of Planning Estimate/OPTAR Holders in the Fleet Marine Force

<u>Organization and Training</u>	0	100
(Part A)		
(1) Is there a PE/OPTAR Holder identifiable budget organization? (9)*	9 of 9**	
Is there a cost center identifiable budget organization? (9)	6 of 9	
(2) Is there a defined organizational structure? (9)	6 of 9	
Is an organization chart maintained? (9)	6 of 9	
(3) Are position descriptions defined in writing? (9)	6 of 9	
(4) Is budgeting separate from accounting? (9)	9 of 9	
(5) Is there a budget officer? (9)	9 of 9	
(6) Is the budget section coordinated with the comptroller section? (9)	9 of 9	
(7) Is the PE/OPTAR Holder budget organization adequately manned? (9)	5 of 9	
Is the cost center budget organization adequately manned? (9)	6 of 9	

Is the PE/OPTAR table of
organization adequate? (9)

(8) Are PE/OPTAR budget per-
sonnel trained and knowledge-
able? (9)

(10) Is budget training con-
ducted? (9)

(11) Is turnover a problem at
the PE/OPTAR Holder level? (9)

Is turnover a problem at the
cost center level? (9)

What is the average turnover
rate (see note one)? (9)

Budget Calendar

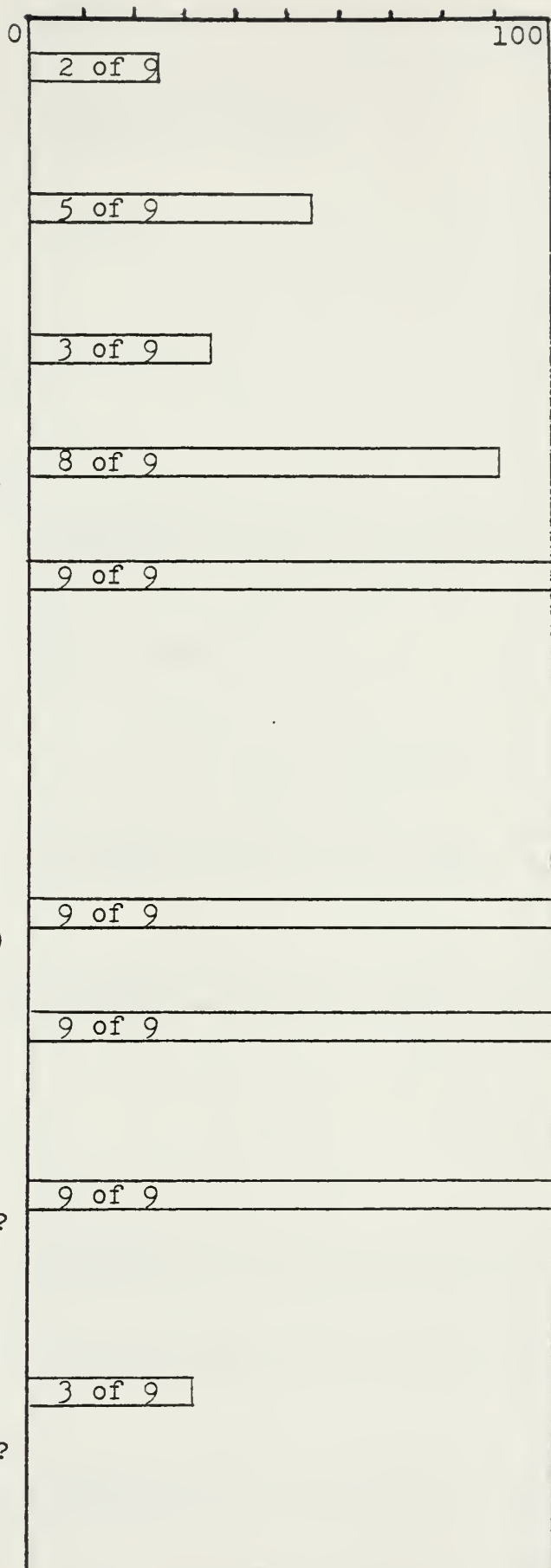
(Part B)

(1) Does the PE/OPTAR Holder
publish a budget calendar? (9)

(2) Does the calendar detail
cost center budget due dates?
(9)

Does the calendar detail PE/
OPTAR Holder budget due dates?
(9)

(3) Does the calendar give
the PE/OPTAR Holder adequate
time for budget consolidation?
(9)



(4) Does the calendar give the cost centers adequate time to prepare and submit thoughtful budgets? (9)

Budget Guidance

(Part C)

A. Guidance issued to PE/OPTAR Holders

(1) Does the OPBUD Holder publish and distribute a budget procedures manual? (9)

Is it current? (9)

What is the date of the latest change? (9) (see note two)

(2) Is the PE/OPTAR Holder provided with budget forms? (9)

(3) Are budget instructional packages provided the PE/OPTAR Holder? (9)

(4) Do these budget packages provide the PE/OPTAR Holder with

(a) the budget calendar? (9)

(b) OPBUD Holder goals, policies and objectives? (9)

(c) instructions for the completion of forms and exhibits?

(9)

0	100
5 of 9	
9 of 9	
1 of 9	
9 of 9	
9 of 9	
9 of 9	
9 of 9	
9 of 9	
9 of 9	

(d) ZBB BY plus 1 guidance for the minimum and all increments? (7)	0	100
		7 of 7
(e) ZBB minimum levels for the BY plus 1 stated narratively? (7)		7 of 7
		7 of 7
stated in dollar terms? (7)		7 of 7
(f) ZBB BY guidance detailed for decision units within financial ceiling constraints to include instructions for unfunded deficiencies? (7)		7 of 7
(g) guidance for program element numbers, functional/sub-functional categories, cost account codes, type equipment codes, fund codes and expense elements? (9)		9 of 9
(h) an analysis of the previous year's activities? (9)		1 of 9
(5) Is the PE/OPTAR Holder provided with budget ceilings? (9)		9 of 9
		9 of 9
(a) Are ceilings published by formal directive? (9)		9 of 9
Are ceilings published early enough to allow for accurate and timely submission of budget estimates? (9)		1 of 9

(b) If formal directive ceilings are not provided or if formal directive ceilings are not published in a timely manner, is the PE/OPTAR Holder provided timely ceilings via informal communication? (8)

(c) Do the informally communicated ceilings agree with those published formally? (8)

(6) Is inflation guidance provided the PE/OPTAR Holder? (9)

(7) Is information concerning new, improved, or expanded goals, policies, and objectives provided the PE/OPTAR Holder?

(9)

(8) Is information concerning new administrative regulations provided the PE/OPTAR Holder?

(9)

(9) Are air wings provided OP-20 flying hour budget guidance for OFC 01 and OFC 50 costs? (2)

(10) Are air wings provided with budget guidance for other O&M,N funded costs? (2)

100

8 of 8

5 of 8

4 of 9

9 of 9

9 of 9

2 of 2

2 of 2

(11) Are "hard" (PE) and "soft" (RA) dollar budgets formulated separately? (7)
If so, is guidance provided for both PE and RA authority?

(3)

B. Guidance Issued to Cost Centers

(1) Does the PE/OPTAR Holder maintain and distribute a budget procedures manual? (9)

Is it current? (7)

What is the latest change dated?

(7) (see note three)

(2) Are budget forms distributed to the cost centers? (9)

(3) Are the forms compatible with the established budget approach? (9)

(4) Are instructional packages sent to the cost centers? (9)
Do they contain

(a) the budget calendar? (9)

(b) PE/OPTAR Holder goals, policies, and objectives? (9)

Are these goals, policies, and objectives compatible with those of the OPBUD Holder? (9)

0	100
3 of 7	
3 of 3	
7 of 9	
3 of 7	
9 of 9	
9 of 9	
9 of 9	
9 of 9	
9 of 9	

(c) instructions for budget 0	100
form completion? (9)	9 of 9
(d) BY plus 1 ZBB guidance for	
decision units at the minimum	5 of 7
and increments? (7)	
(e) minimum levels for the	5 of 7
BY plus 1 stated narratively? (7)	
stated in dollar terms? (7)	5 of 7
(f) BY guidance for decision	
units within the constraints	5 of 7
of the financial ceiling and	
unfunded deficiency guidance?	
(7)	
(g) guidance for the use of	
program element numbers, cost	9 of 9
account codes, fund codes,	
type equipment codes and ex-	
pense elements? (9)	
(h) an analysis of the pre-	3 of 9
vious year's activities? (9)	
(5) Do air wings provide their	
cost centers with guidance for	2 of 2
O&M,N funded costs not included	
in the flying hour program? (2)	
(6) Are ceilings provided to	9 of 9
cost centers? (9)	
Are these ceilings provided	
early enough to allow for	

timely and accurate cost

center submissions? (9)

If these ceiling change, are
cost centers given the time
and opportunity to adjust their
budget submissions? (3)

(7) Are cost center PE and
RA budgets formulated separ-
ately? (7)

If so, is guidance provided
for both PE and RA authority?

(5)

(8) Is information provided
concerning new, improved, or
expanded goals and objectives
when they change from those
of the current year? (9)

(9) Are cost centers provided
with guidance concerning new
administrative regulations? (9)

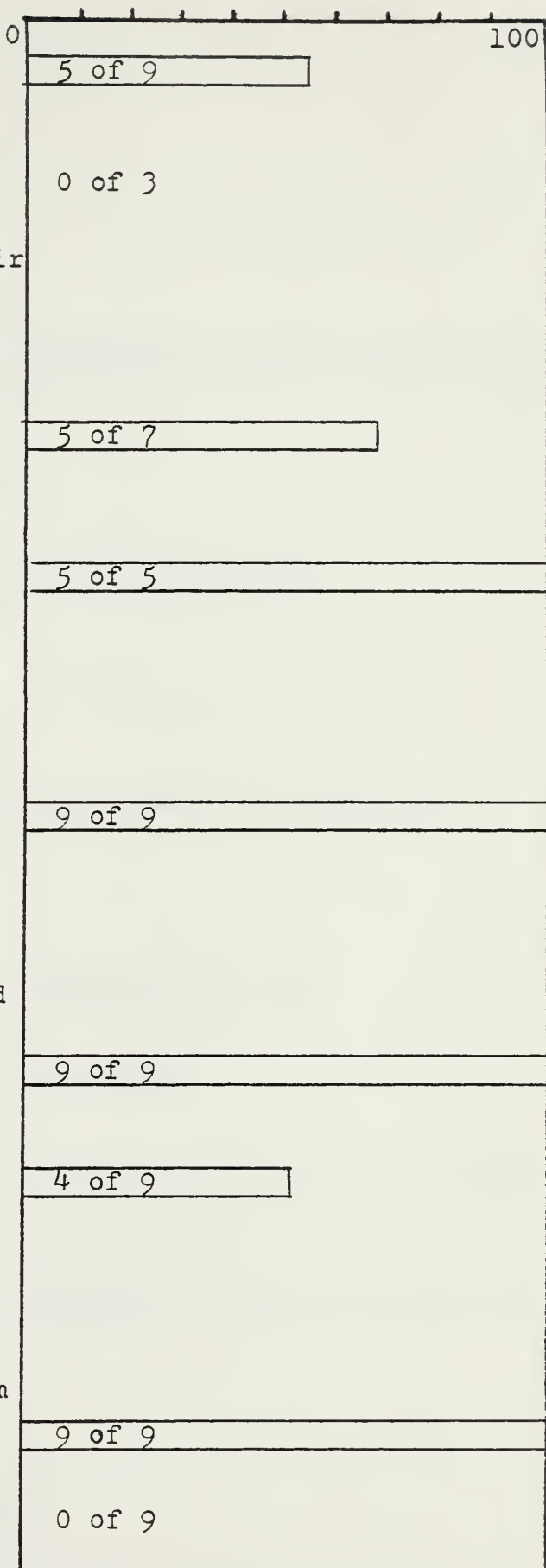
(10) Is inflation guidance
provided? (9)

Budget Formulation

(Part D)

(1) Are budgets received from
all cost centers? (9)

(2) Is budget formulation
based entirely on cost center
input? (9)



If not, what other sources of 0
input? (9) (see note four)

(3) Cost center budget formu-
lation

(a) Are cost center budget
submissions in conformance with
the established budget approach? (9)

(b) Do cost center budget sub-
missions provide the necessary
information for budget consoli-
dation at the PE/OPTAR Holder
level? (9)

(c) Do cost center forms and
exhibits meet technical format
requirements? (9)

(d) are cost center budget
submissions accurate? (9)

(e) Are cost center budgets
adequately supported? (9)

(f) Do cost centers submit
their budgets on time? (9)

(4) Are cost center budgets
reviewed by a budget review
staff? (9)

Does the review staff

(a) review cost center budgets
to insure that all factors that

100

9 of 9

5 of 9

7 of 9

5 of 9

3 of 9

9 of 9

9 of 9

affect the budget have been considered? (9)

(b) verify the adequacy and accuracy of cost center budget submissions? (9)

(c) coordinate and review with each cost center to insure that budget requests are understood and supported? (9)

(5) Is the budget review staff of sufficient size? (9)

(6) Are program specialists used in the review of cost center budgets? (9)

(7) If cost center budget are deficient, what action does the PE/OPTAR Holder take? (9)

(see note five)

Does the budget calendar allow time for further guidance and corrective action? (9)

(8) Are cost center budget managers given an opportunity to support their budget request before it is revised? (9)

(9) Does the PE/OPTAR Holder consider outstanding obligations when preparing the budget? (9)

0	100
9 of 9	
9 of 9	
9 of 9	
7 of 9	
7 of 9	
3 of 9	
9 of 9	
5 of 9	

(10) Are variances in the pre-0
vious year's budget investiga-
ted? (9)

(11) In cases where estimated
budget ceilings are provided
the PE/OPTAR Holder prior to
published formal guidance, how
are differences between the
ceilings (if there are differ-
ences) reconciled? (3) (note six)

(12) Does the PE/OPTAR Holder
insure that all funds requested
can be spent within the allow-
able time frame? (9)

(13) Are budgetary items of
little significance excluded
from detailed consideration?
(9)

(14) Does the PE Holder formu-
late a ZBB as per instructions
from higher headquarters? (7)

(15) Is there a budget review
committee at the PE Holder
level that ranks decision pack-
ages? (7)

(16) Do air wings formulate
and submit O&M,N budgets

100

6 of 9

9 of 9

6 of 9

7 of 7

4 of 7

2 of 2

according to flying hour
authorizations and other
guidance pertaining to OFC 01
and OFC 50 costs? (2)

according to the guidance and
within the ceilings detailed
by higher headquarters for
other O&M,N costs not included
in the flying hour program? (2)

(17) Has the Class I budget
system facilitated preparation
of a ZBB? (7)

What problems have been en-
countered by the PE Holder
with regard to the Class I
system? (7) (see note seven)

(18) Do cost centers base
their budget estimates on the
historical cost data produced
by the MAGFARS Reports and the
NAVMC 10890 Reports? (7)

Do air wings utilize a cost
accounting system to aid in
budgetary planning for O&M,N
funding? (2)

(19) Are investment type items
budgeted separately by the PE/
OPTAR Holder? (9)

*denotes the number of budget organizations responding to the
question.

**denotes the number of "yes" answers in relation to the number

0

100

2 of 2

5 of 7

4 of 7

2 of 2

9 of 9

Explanatory Notes (Part E)

- Note One - Seven of the nine budget officers questioned stated that turnover was approximately 100 percent of budget personnel every two years. One budget officer stated that turnover was approximately 100 percent of budget personnel every 18 months. One budget officer related that turnover was 100 percent of budget personnel every three years. The average turnover estimate is a combined average for both PE/OPTAR budget personnel and cost center fiscal personnel.
- Note Two - The four operating budget holders published budget procedures manuals dated 26 July 1976, 16 December 1977, 20 April 1977 and 22 February 1980.
- Note Three - Concerning the seven PE/OPTAR budget organizations that maintain and distribute a formal budget procedures manual, the manuals were last updated in July 1972, October 1976, April 1977, June 1978 and November 1979. Notice that seven PE/OPTAR budget organizations publish a formal budget procedures manual and only five dates are listed. This is due to the fact that the "blue" and "green" dollar organizations in the surveyed Marine Air Wings share the same budget procedures manual, however, the manuals are separated into "blue" and "green" sections.
- Note Four - All the budget officers questioned related that budget inputs from sources other than cost center managers were received. In three of the budget organizations,

decision unit sponsors located at the PEH headquarters level provide budget input. In one "blue" dollar budget organization, the functional managers for each OFC fund category provide budget input. In the remaining budget organizations, general staff sections at the PE/OPTAR holder level provide input even though these general staff sections are not designated as official cost centers. The G-1 provides TAD cost information; the G-3 provides training and flight hour input; the G-2 provides input on intelligence requirements; and the G-4 submits maintenance and logistical support budget input.

Note Five - The budget officers questioned related that deficient cost center budgets are corrected at the PE/OPTAR Holder level. Major deficiencies are challenged and the cost center budget manager is required to provide correcting information. Minor deficiencies are corrected by the budget review staff or the PE/OPTAR holder budget officer without further cost center involvement.

Note Six - Only three surveyed budget officers related that the informal ceiling guidance provided them did not conform with subsequent published guidance. All three PEH's were subordinate to the same OPBUD holder. The published ceilings were higher than those informally communicated. Guidance issued to cost centers was based on the informal guidance received and cost center budgets had already been submitted. The affected PEH budget

officers used the additional money to fund deficiencies according to their prioritized listing of deficiencies.

Note Seven - All surveyed budget officers related that since the Class I budget system is only used to prepare and load the mechanized portion of the budget once each year, retraining of budget personnel is required. Five of the seven budget officers questioned said that the time required to prepare the budget load and submit input to the computer facility is excessive. Five of the seven budget officers surveyed also said that even though the time and effort involved in using the system is substantial, it would require more manhours to prepare the required forms manually. Four of the seven budget officers have experienced difficulty in coordinating the Class I budget input effort with computer center personnel. The reason given for this being that computer personnel are unfamiliar with Class I budget system input processing as they work with the system infrequently.

IV. CONCLUSIONS AND RECOMMENDATIONS

A. GENERAL

Recall from Chapter III that 56 percent of the questions detailed on the budget formulation survey solicited a favorable response from every applicable budget officer. Recall further that 28 percent of the questions solicited a favorable response from more than 50 percent or a majority of budget officers questioned and only 16 percent of the survey questions resulted in a favorable response from less than 50 percent or a minority of respondent budget officers.

Since one cannot assume that all survey questions are of equal significance in the assessment of budget quality, the conclusion that can be drawn from the percentage results presented is that the majority of the preferred budget practices outlined by Appendix B and Exhibit XIV are correctly applied by all Fleet Marine Force (FMF) budget organizations. The remaining preferred budget formulation practices detailed in the survey questionnaire are correctly applied by FMF budget organizations to a lesser extent and thus room for improvement is implied. The survey question results that indicated less than an entirely favorable response from survey respondents and for which logical conclusions can be drawn will be the subject of this chapter. Further, recommendations for improvement will be made concerning those conclusions amenable to qualified and supportable suggestions.

B. CONCLUSIONS

1. Cost Center Inadequacies and Contributing Factors

The majority of survey respondents indicated that cost center budget submissions do not provide them with the information they require in order to formulate the budget at their level with minimum difficulty and delay. Specifically, survey respondents claim that cost center budget forms are not completed correctly, cost center budget submissions are not accurate and cost center dollar figures are not adequately supported with narrative justification. A number of other survey responses contribute directly to this seeming lack of quality in cost center budget input. Specifically, the majority of budget organizations do not conduct training for cost center budget personnel. Not surprisingly, the majority of budget organizations thus view their cost center budget personnel as not adequately trained and knowledgeable in budget formulation requirements and procedures.

All the surveyed budget officers claim that turnover of personnel at the cost center level is a problem. The planning estimate/operating target (PE/OPTAR) holder unfortunately has little control over personnel rotation. The lack of continuity in budget expertise caused by frequent turnover combined with the lack of an ongoing training program contributes significantly to the problem of reduced quality in cost center budget input.

In addition, a minority of survey respondents admitted to not providing their cost centers with timely ceilings. A majority of respondents do not keep their budget procedures manual current and a minority of budget officers do not even publish a budget procedures manual. Further, the majority of the queried budget officers do not provide each of their cost centers with an appraisal of their prior year's financial plan compared to actual fiscal performance. A minority of respondents stated that they do not give their cost centers enough time to prepare and submit thoughtful budgets.

The conclusion that can be drawn from all of this is that cost center budget quality is directly related to the adequacy of the training and guidance provided to the cost center. Improvements in the areas of budget training and guidance, therefore, are called for.

2. Budget Guidance

It is also important to note that the majority of PE/OPTAR holders claim that the budget procedures manual provided them by their OPBUD holder does not contain current information. This shortfall no doubt contributes adversely to the PE/OPTAR holder's ability to perform required budgetary duties. Since the majority of OPBUD holders do not maintain current budget procedures manuals, it follows that the majority of PE/OPTAR holders, as stated earlier, maintain budget procedures manuals that are likewise, not current.

Recall that budget ceilings originate at Headquarters Marine Corps and are passed to OPBUD holders who, in turn, pass control figures onto their PE/OPTAR holders. The PE/OPTAR holders then pass budget ceilings onto subordinate cost centers. The lack of timely promulgation of these ceilings was viewed to be a problem by the majority of the queried respondents. This problem affects both the PE/OPTAR holder and the cost centers. Although substantive budget guidance is issued prior to budget control figures, the budget formulation process ultimately hinges on these control figures. Budget formulation is a continuous process and budget preparation proceeds at both the cost center and PE/OPTAR levels prior to the issuance of ceilings. Accurate budget estimates, however, cannot be developed at any level until control figures are provided.

The quality of the PE/OPTAR holder's budget is dependent on cost center budget quality as budgets are formulated from the bottom up. Since ceilings are often not issued in a timely manner, the cost center budget manager does not have adequate time to prepare and submit a thoughtful budget. Further, the PE/OPTAR holder does not have adequate time to review and consolidate cost center budget estimates and prepare and submit the PE/OPTAR holder budget to the OPBUD holder. It is important to note that the majority of PE/OPTAR holders receive these control figures via informal communication. Formal published control figures are often not received until

after budgets have already been formulated and submitted and, therefore, are often not very useful.

A minority of respondents related that differences between the informal and published ceilings caused a last minute crisis in that budgets had to be altered substantially days before the budget submission deadline. The budget, therefore, was hastily changed and cost center budgets were revised without cost center involvement thus violating the "bottom up" approach dictated by Marine Corps policy.

3. Corrective Action to Cost Center Budgets

As previously discussed, cost center budgets are often lacking in quality, and the PE/OPTAR holder is often required to perform substantial correcting action. The majority of respondents related that they do not have adequate time to obtain corrective action from cost center budget managers and, therefore, must perform required corrections themselves. Much can be learned from correcting one's own mistakes, however, a shortage of time has precluded this learning process from taking place. Additionally, cost center budget managers should be actively involved in the evaluation of their cost center budget. Preferred budget practices are violated when cost center budget managers are not consulted concerning adjustments, revisions and corrections to their budget estimates.

4. Budget Personnel Shortages

The majority of survey respondents felt that their Table of Organization (T/O) was not adequate. Some of the difficulty

experienced in performing all of the budgetary duties required, therefore, can be attributed to the budget organizations inadequate T/O. In addition, not all of the PE/OPTAR and cost center budget organizations are even manned in accordance with their T/O. Personnel shortages result in increased workloads for existing personnel. In addition, the quality of the entire budget formulation process can suffer in an undermanned budget organization scrambling to meet short-fuzed deadlines.

5. Organization for Budgeting

A minority of respondents admit that their budget organizations demonstrate a lack of identifiable cost center organizational functions responsible for the overall budgeting process. A like number of respondents exhibit a lack of a defined organizational structure with appropriate lines of authority and subsequently do not possess organization charts. In addition, these respondents do not clearly define the functions, responsibilities, authority and relationships of positions in their budget organizations. These types of problems contribute unnecessary confusion to the process of performing work in any organization and add to the time it takes to perform a given task. Quality control may also suffer when appropriate lines of authority do not exist. A budget organization operating under a tight schedule cannot afford to be unorganized.

6. Outstanding Obligations

A minority of respondents indicated that they do not consider outstanding obligations when preparing the budget.

Outstanding obligations, if uncanceled, represent material that will be received in a future period. Due to the scarcity of resources, rebudgeting for these uncanceled and outstanding obligations may preclude budgeting for other needed material thus preventing the optimum application of limited funding.

7. The Use of Historical Cost Data

Chapter II stated that a FMF Commander's budget should be based upon an intimate knowledge of one's command, one's mission, one's operations, the guidance provided by higher headquarters and historical cost data. A minority of survey respondents admitted that their cost center budget officers do not consider the cost data produced by the operating forces cost accounting systems when preparing their cost center budget estimates. The use of historical cost data is necessary if one is to project future requirements accurately. The cost center manager that does not consider historical cost data, therefore, may find it difficult to submit an accurate and supported cost center budget estimate.

8. Minor Funding Items

A minority of survey respondents indicated that they expend time and effort considering minor funding items that are not sufficiently significant to warrant budgetary control. During the budget formulation process, time is a limited and important resource, therefore, budget organizations cannot afford to waste time considering irrelevant budgetary items.

9. Budget Review Staff

The budget officer alone cannot be expected to be able to review cost center budget estimates to insure that all factors that influence these estimates have been incorporated. Assistance is required from a budget review staff. This staff should be of sufficient size and should be comprised of specialists in all the various functional budget areas. A minority of survey respondents indicated that they either did not employ such a staff or that the staff was not of sufficient size to ensure effective review and appraisal of cost center budget submissions. In such cases, the budget officer depends solely on the unquestioned knowledge of the cost center budget manager, therefore, limited resources may be employed inefficiently resulting in the unfunding of important programs. Further a minority of survey respondents do not utilize a budget review committee to rank decision packages and use the comptroller staff for this purpose. This situation conflicts with instructions contained in the Field Budget Guidance Manual and can contribute to the inefficient application of scarce resources. The budget review staff must be comprised of both a fiscal representative and representatives from the various budget functional areas if a meaningful ranking process is to occur.

10. Class I Budget System

It can be concluded from survey results that the Class I budget system has facilitated the preparation of a zero-based

budget even though survey respondents indicated that the Class I system causes a few problems. Further, recall from Chapter II that the Class I system is programmed to efficiently handle the "hard" and "soft" dollar split when soft dollars are budgeted under the FSSG program element number. The majority of the surveyed FMF "green" dollar budget organizations do not utilize this Class I capability and, in effect, do not formulate "hard" and "soft" dollar budgets separately. They do, however, perform a "hard" and "soft" dollar split before the start of the budget year. These budget organizations could formulate their budgets more efficiently by taking advantage of the "hard" and "soft" dollar convention built into the Class I system.

C. RECOMMENDATIONS

This section will present recommendations for improvements as a result of conclusions drawn in Section B of this chapter. Recommendations are not appropriate for every conclusion drawn and each recommendation in this section applies only to those organizations that were found lacking in the principles or qualities discussed by the specific recommendation.

1. PE/OPTAR FMF budget organizations should evaluate their present budget training programs and perform necessary improvements.

2. Both the OPBUD holders and PE/OPTAR holders in the FMF should insure that their budget procedures manuals reflect current information.

3. FMF PE/OPTAR holders should always strive to provide both accurate and adequate budget guidance to their subordinate cost centers.

4. Efforts should be made at Headquarters Marine Corps to reduce the turnover problem caused by frequent rotation of budget personnel in FMF organizations.

5. FMF PE/OPTAR holders should insure that their cost center budget managers are always consulted concerning revisions, adjustments, and corrections to their budget estimates.

6. Efforts should be made at all budget management levels to reduce the impact of the time crisis presently experienced by most budget organizations during the budget formulation period. This can be achieved by insuring that budget formulation is a well planned and continuous process by providing accurate ceilings to subordinates as early as practicable, and by allowing subordinates as much time as possible to prepare their budget estimates.

7. Headquarters Marine Corps should seriously consider increasing FMF budget organization T/O's to provide the budget organization with the manpower resources necessary to perform required budgetary duties.

8. Further, division, wing, FSSG and brigade commanders should insure that their comptroller staffs are manned in accordance with applicable T/O's.

9. FMF budget orgnaizations should insure that there exists an organizational function at every budget management level responsible for the overall budgeting process; that the functions, responsibilities, authority, and relationships of all positions in their organizations are clearly defined in writing; that a current organization chart is maintained; and that their budget organization exhibits a defined organizational structure wih appropriate lines of authority.

10. PE/OPTAR holders in the FMF should insure that they consider outstanding obligations when preparing their budgets.

11. FMF PE/OPTAR holders should insure that their cost centers are utilizing the historical cost data produced by the organization's cost accounting system as a basis for cost center budget estimates.

12. FMF PE/OPTAR budget officers should insure that they do not expend time and effort considering minor funding items that are not sufficiently significant to warrant budgetary control.

13. FMF PE/OPTAR holders should insure that a budget re-view staff is effectively employed in their budget organization both in the review of cost center budget estimates and in the ranking of decision packages.

14. OPBUD and PE FMF budget organizations should insure that they utilize the capabilities of the Class I budget system in order to perform the "hard" and "soft" dollar split efficiently.

D. SUMMARY

The objective of this thesis was to examine, evaluate, and draw supportable conclusions on the budget formulation policy application process of FMF units. Chapter II reviewed budget formulation policy as detailed by Navy and Marine Corps publications, personnel working in the Marine Corps budget formulation field, and general published academic guidance applying to budget formulation in public/non-profit organizations. Chapter III presented the results of a budget formulation survey and this chapter discussed the conclusions drawn from the survey results. Further, this chapter has made recommendations for improvement concerning those conclusions amenable to suggestion. These recommendations have been provided with an objective toward improved budget policy implementation in the FMF.

APPENDIX A

GLOSSARY OF TERMS

Allotment - The authority, expressed in terms of a specific amount of funds, granted by competent authority to commit, obligate and expend funds for a particular purpose. Obligation and expenditure of the funds may not exceed the amount specified in the allotment, and the purpose for which the authorization is made must be adhered to. This study addressed procurement and stock fund allotments. All allotments must be accounted for by commanders until the appropriation lapses or until all obligations are liquidated, whichever occurs first. Allotments are granted via a Navy Comptroller Form 372 (NavCompt 372) and are reported on a NavCompt Form 2025 (Status of Allotment Report).

Appropriation - An act of Congress authorizing a specified amount of funds to be used for designated purposes, and for payments to be made out of the Treasury of the United States.

Commitment - A firm administrative reservation of funds which authorizes the recipient to create an obligation. The act of entering into a commitment is usually the first step in the process of spending available funds.

Expenditure - Result of the actual payments from available funds.

They are evidenced by vouchers, claims, or other documents approved by competent authority.

Lapsed Appropriation - Expired appropriations lapse two years after expiration and unpaid obligations are transferred to an account (M account) where they are merged with unpaid obligations of all other lapsed appropriations for the same general purpose.

Non-accrual Accounting - The non-accrual basis of accounting consists of recognizing in the books and records of account, the significant and accountable aspects of financial transactions or events as they are paid, not as they occur.

Obligation - A duty to make a future payment of money. The duty is incurred as soon as the order is placed, or a contract is awarded, for the delivery of goods and the performance of services. It is not necessary that goods actually be delivered, or services actually be performed, before the obligation is created; neither is it necessary that a bill or invoice be received first. The placement of the order is sufficient.

Stock Fund Material - Material purchased through the SMU (Supported Activities Supply System Management Unit) utilizing requisitional authority.

Workload Indicators - A standardized output that expresses a volume of work. For example, "number of exercises" is a workload indicator applicable to decision packages prepared by Fleet Marine Force Units.

APPENDIX B

BUDGET GUIDANCE, FORMULATION AND SUBMISSION SURVEY OF PLANNING ESTIMATE/OPTAR HOLDERS IN THE FLEET MARINE FORCE

Organization and Training (Part A)

1. Does the Planning Estimate/OPTAR Holder have an identifiable organizational function responsible for the overall budgeting process? Do the cost centers? (Pomeranz)
2. Does the budgeting function have a defined organizational structure with appropriate lines of authority? Does the budget organization maintain a current organization chart? (Pomeranz)
3. Are the functions, responsibility, authority, and relationships of each position in the budget organization defined in writing? (Sawyer)
4. Is the budgeting function separate from the accounting function? (Pomeranz)
5. Is the budgeting function directed by a budget officer? (Pomeranz)
6. Is the budgeting section coordinated with the Comptroller organization? (Pomeranz)
7. Is the PE/OPTAR holder budget organization adequately manned? Are cost center budget organizations adequately manned? Is the PE/OPTAR holder Table of Organization adequate? (Based on applicable Table of Organization) (Anthony and Herzlinger, MCO P5310.6)

8. Are personnel in the PE/OPTAR holder budget organization adequately trained and knowledgeable in budget formulation requirements and procedures as set forth by applicable directives? (Anthony and Herzlinger)
9. Are cost center budget personnel adequately trained and knowledgeable in budget formulation requirements and procedures as set forth by applicable directives? (Anthony and Herzlinger)
10. Does the PE/OPTAR holder budget officer conduct training for personnel in the budget organization to include cost center personnel? (Anthony and Herzlinger)
11. Is turnover of budget personnel seen to be a problem in the PE/OPTAR budget organization? The cost center budget organization? What is the average turnover rate?
(Pomeranz)

Budget Calendar (Part B)

1. Does the PE/OPTAR holder maintain and publish a budget calendar? (Pomeranz)
2. If so, does the calendar
 - a. detail cost center budget submission dates? (Anthony and Herzlinger, Pomeranz)
 - b. detail deadline dates for PE/OPTAR holder budget submission to the Operating Budget (OPBUD) holder?
(Anthony and Herzlinger)

3. Does the budget calendar permit adequate time for consolidation and review of the cost center budgets by the PE/OPTAR holder budget organization? (Anthony and Herzlinger, Pomeranz)
4. Does the budget calendar allow adequate time for thoughtful budget preparation and submission by the PE/OPTAR holder's cost centers? (Anthony and Herzlinger, Pomeranz)

Budget Guidance (Part C)

- A. Operating Budget Holder Guidance issued to Planning Estimate/OPTAR Holders
 1. Does the OPBUD holder publish and distribute a formal budget procedures manual (SOP) to the PE/OPTAR holders? Is it current? What is the date of the latest change? (Pomeranz, MCO P7100.8G)
 2. Have forms been developed and provided for PE/OPTAR holder use in preparing budget estimates? (Pomeranz)
 3. Are instructional packages sent to all PE/OPTAR holders in the initial stages of budget development? (Pomeranz)
 4. Do these instructional packages include
 - a. the budget calendar? (Pomeranz)
 - b. the goals, policies, and objectives of the OPBUD holder? (Pomeranz)
 - c. instructions for the completion of required budget forms and exhibits? (Pomeranz)

- d. adequate and detailed zero-based budgeting guidance for the BY+1 to include budget formulation instructions for decision units at the minimum and all incremental levels (O&M,MC funds)? (MCO P7100.8G)
 - e. minimum levels for the BY+1 stated both narratively (in terms of goals, policies, and objectives) and in dollar amounts (O&M,MC funds)? (MCO P7100.8G)
 - f. adequate and detailed guidance concerning the formulation of the budget by decision unit within the constraints of the financial ceiling for the budget year to include instructions concerning budgeting for unfunded deficiencies (O&M,MC funds)? (MCO P7100.8G)
 - g. guidance concerning the use of program element numbers functional subfunctional categories, cost account codes, fund codes, type equipment codes and expense elements? (MCO P7100.8G, NAVMC 2664, COMNAVAIRPACINST 7303.11E, CINCLANTFLTINST 7100.2E)
 - h. analysis of the previous year's activities? (Pomeranz)
5. Does the OPBUD holder provide the PE/OPTAR holder with budget ceilings for the budget year? (Anthony and Herzlinger)
- a. are these ceilings published by formal directive and are they provided early enough in the budget formulation period to allow for accurate and timely submission of budget estimates? (Anthony and Herzlinger, MCO P7100.8G, MCBUL 7100, and Module C of the practical Comptrollership Manual)

- b. if ceilings are not published by formal directive or if the formal directive ceiling guidance is not published early enough to allow adequate time for budget formulation, are timely ceilings provided by informal communication early enough to allow adequate time for the PE/OPTAR holder to issue guidance to cost centers, process cost center budget submissions, and formulate the PE/OPTAR holder budget? (Module C, Practical Comptrollership Manual, NAVSO P3006-1)
 - c. if ceilings are provided via informal communication prior to the publishing of ceilings via formal directive, do the ceilings communicated earlier agree with those published formally? (Anthony and Herzlinger, MCBUL 7100, and Module C of the Practical Comptrollership Manual)
- 6. Is inflation guidance provided the PE/OPTAR holder?
(MCBUL 7100)
 - 7. Is information provided concerning new, improved, or expanded goals and objectives when budget year goals and objectives change from those of the current year? (Pomeranz)
 - 8. Is information provided concerning notice of new administrative regulations and guidance in their application?
(Pomeranz)
 - 9. Are Marine Airwings provided with OP-20 flying hour authorizations and guidance pertaining to budgeting for aircraft costs (fuel and maintenance) included in the flying hour

program (O&M,N funding)? (CINCLANTFLTINST 7100.2E, FMFPACO P7000.3C, NAVSO P3013)

10. Are Marine Air wings provided with adequate guidance for all other O&M,N funded costs not included in the flying hour program (O&M,N funding)? (CINCLANTFLTINST 7100.2E, FMFPACO P7000.3C, NAVSO P3013)

11. Are "hard" (PE) and "soft" (RA) dollar budgets formulated separately? If so, are instructions concerning the distinction between "hard" and "soft" dollars provided and is budgeting guidance detailed for both PE and RA authority (O&M,MC funds)? (FMFLANTO P7000.2F, FMFPACO P7000.1G, Skierkowski)

B. PE/OPTAR Holder Guidance to Cost Centers

1. Does the PE/OPTAR holder maintain and distribute a formal budget procedures manual to its cost centers? Is it current? What is the date of the latest change? (Pomeranz)
2. Have forms been developed and are they provided for cost center use in preparing their budget estimates? (Pomeranz)
3. Are these forms compatible with the PE/OPTAR holder's budget approach so that cost center estimates can readily be consolidated into the PE/OPTAR holder budget? (Pomeranz)
4. Are instructional packages sent to the cost centers in the initial stages of budget development and do they contain
 - a. the budget calendar? (Pomeranz)

- b. the goals, policies and objectives of the PE/OPTAR holder and are these goals, policies, and objectives compatible with those of the OPBUD holder? (Pomeranz, FMFPAC and FMFLANT 7100 Bulletins)
 - c. instructions for the completion of the required budget forms and exhibits? (Pomeranz)
 - d. adequate and detailed zero-based budgeting guidance for the BY+1 to include formulation instructions for applicable decision units at the minimum and increment levels (O&M,MC funds)? (MCO P7100.8G)
 - e. minimum levels for the BY+1 stated both in terms of dollar amounts and narratively (O&M,MC funding)? (MCO P7100.8G, FMFLANTO P7000.2F, FMFPACO P7000.1G)
 - f. adequate and detailed guidance concerning the formulation of the budget by decision unit within the constraints of the financial ceiling for the budget year to include instructions concerning budgeting for unfunded deficiencies (O&M,MC funds)? (MCO P7100.8G)
 - g. guidance concerning the use of program element numbers, cost account codes, funds codes, type equipment codes, and expense elements? (MCO P7100.8G, NAVMC 2664, COMNAVAIRPACINST 7303.11E, CINCLANTFLTINST 7100.2E)
 - h. analysis of the previous year's activities? (Pomeranz)
5. Do Marine Aircraft Wings provide cost centers with adequate budget formulation guidance for O&M,N funded costs not included in the flying hour program? (CINCLANTFLTINST 7100.2E, FMFPACO P7000.3C, NAVSOP 3013)

6. Are ceilings provided to cost centers and are these ceilings provided early enough to allow for accurate and timely submission of cost center budget estimates? If these ceilings subsequently change, are cost center managers given the time and opportunity to adjust their budget submissions accordingly? (Anthony and Herzlinger)
7. Is there a distinction made between budget formulation for "hard" (PE) and "soft" (RA) dollars? Is budgeting guidance provided for both PE and RA authority (O&M, MC funds)? (FMFLANTO P7000.2F, FMFPACO P7000.1G, Skierkowski)
8. Is information provided concerning new, improved, or expanded goals and objectives when budget year goals and objectives change from those of the current year? (Pomeranz)
9. Are cost centers provided information concerning the nature of new administrative regulations and guidance in their applications? (Pomeranz)
10. Is inflation guidance provided? (MCBUL 7100)

Budget Formulation (Part D)

1. Does the PE/OPTAR holder budget officer receive budgets from all cost centers over which he has jurisdiction? (Pomeranz)
2. Is budget formulation based entirely on input from cost center managers? (NAVMC 2664, Anthony and Herzlinger)

3. Cost center budget formulation
 - a. are cost center budgets submitted in conformance with the budgeting approach utilized (e.g., ZBB)? (Pomeranz)
 - b. do cost center budgets provide the necessary information so that the PE/OPTAR holder may consolidate cost center budget submissions and formulate the budget at his level with minimum difficulty and delay? (Anthony and Herzlinger, Pomeranz)
 - c. do cost center submitted forms and exhibits meet technical format requirements as detailed by PE/OPTAR guidance? (Pomeranz)
 - d. are cost center budget submissions accurate? (Pomeranz)
 - e. are cost center budgets submitted to the PE/OPTAR holder adequately supported? (Pomeranz)
 - f. are cost center budgets submitted on time? (Pomeranz)
4. Are cost center budgets reviewed by a budget review staff at the PE/OPTAR holder level? (Pomeranz) Does the PE/OPTAR holder budget review staff
 - a. review cost center submissions to insure that all factors that influence the submission are incorporated into the budget? (Pomeranz)
 - b. verify the adequacy and accuracy of the budget data submitted by the cost center? (Pomeranz)
 - c. coordinate and review with each cost center to insure that budget requests are fully understood and supported? (Pomeranz)

5. Is the budget review staff of sufficient size to ensure effective review and appraisal of the cost center submissions? (Pomeranz)
6. Are program specialists or consultants used in the review of the cost center budget requests? (Pomeranz)
7. If cost center budget submissions are deficient, what action does the PE/OPTAR holder take? Is the budget calendar flexible enough to allow for further guidance from the PE/OPTAR holder and resubmission or correcting action by the cost center? (Anthony and Herzlinger, Pomeranz)
8. Are the cost center budget managers given an opportunity to support their budget requests through hearings or by providing additional data before the budget is revised by the PE/OPTAR holder? (Pomeranz)
9. Does the PE/OPTAR holder consider outstanding obligations when preparing the budget? (Naval Audit Service Program #7)
10. Are variances in the previous year's budget investigated? (Naval Audit Service Program #7)
11. In cases where estimated budget ceiling are provided the PE/OPTAR holder prior to published formal ceiling guidance, how are differences between the ceilings (if there are differences) reconciled and budgets adjusted when the formal guidance is published? (Practical Comptrollership Manual, Module C)

12. Does the PE/OPTAR holder insure that all funds requested in the budget submission can be spent within the allowable time frame? (Naval Audit Service Audit Program #7)
13. Are those items that the budget officer has no control over or which are not sufficiently significant to warrant budgetary control excluded from detailed consideration? (Sawyer)
14. Does the PEH (the basic budget management level) formulate a zero-based budget according to instructions detailed by Headquarters, Marine Corps and the OPBUD holder (O&M,MC funds)? (MCO P7100.8G)
15. Is there a budget review committee at the basic budget management level that ranks decision packages in the prioritization process (O&M,MC funds)? (MCO P7100.8G)
16. Do Marine Aircraft Wings formulate and submit O&M,N budgets
- according to flying hour authorizations as detailed by OP-20 and other applicable instructions for fuel and maintenance costs?
 - according to the guidance and within the ceilings detailed by COMNAVAIR LANT and PAC for O&M,N funded costs not included in the flying hour program?
- (CINCLANTFLTINST 7100.2E, FMFPACO 7000.3C)
17. Has development of the Class I budget system facilitated preparation of a zero-based budget? What problems have

encountered by the PEH with regard to the Class I system (O&M,MC funds)? (MCO P7300.10B)

18. Do cost centers base their budget estimates on the historical cost data produced by the operating forces cost accounting system (MAGFARS and NAVMC 10890 Reports)? Do Marine Air Wings utilize a cost accounting system to aid in budgetary planning for O&M,N funding? (NAVAUDSVC Report of 12 May 1979 concerning audit of FMFLANT)
19. Are investment type items budgeted separately by the PE/OPTAR holder? (Naval Audit Service Audit Program #7)

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3. Interview with 1STLT R.M. Sinnott, 1st Force Service Support Group, on 26 June 1980.
4. Interview with CWO-4 J.R. Waterbury, 3rd Marine Air Wing Budget Officer, on 24 June 1980.
5. Interview with 1STLT K.L. Williams, 1st Marine Division Budget Officer, on 26 June 1980.

PHONE CALLS

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2. Phone call to 1STLT R.A. Christy, 2nd Marine Air Wing Budget Officer, on 5 May 1980.
3. Phone call to CAPT D.H. Grimm, Fleet Marine Force Atlantic Budget Officer, on 5 and 20 May 1980.
4. Phone call to CAPT B.D. Mallette, 2nd Marine Division Budget Officer, on 31 July 1980.
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